



**Northumbria
University**
NEWCASTLE

ANNUAL REPORT AND FINANCIAL STATEMENTS. 2020/21

Contents

Vice-Chancellor and Chief Executive's foreword	1
Chair's introduction	3
Strategic report	3
<i>Vision, strategy and impact</i>	5
<i>Operating and financial review</i>	9
<i>Principal uncertainties and how we respond to them</i>	15
<i>Public benefit role</i>	18
<i>Statement of corporate governance</i>	20
<i>Statement of internal control</i>	23
<i>Statement of Board of Governors' responsibilities in respect of the annual report and financial statements</i>	24
<i>Annual remuneration statement</i>	27
<i>Register of governors and professional advisors</i>	33
Independent auditor's report to the Board of Governors of Northumbria University	35
Financial statements	38
Statement of principal accounting policies	42
Notes to the financial statements	47

The Annual Report and Financial Statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (2019) and the Accounts Direction, dated 25 October 2019.

Vice-Chancellor and Chief Executive's foreword



I am pleased to introduce the Annual Report and Financial Statements for 2020/21. The information in this report provides an overview of the University's activities and achievements during the year.

2020/21 was the third year of the University Strategy 2018-23, the road map for the University's continued transformation which will help us to realise our ambitious Vision and achieve a rank position in the top 30 of UK universities. It was also the second academic year impacted by the Covid-19 pandemic, which continued the unprecedented levels of operational and financial uncertainty created when the pandemic hit in March 2020.

Despite the extraordinary challenges of 2020/21, this was a successful year for Northumbria, and I take this opportunity to thank our colleagues for the exceptional hard work and commitment that have enabled the University to continue to thrive and to cement its position as a research intensive, modern University.

In the past year the University has continued to invest in talented staff and to attract a diverse mix of students and colleagues from across the globe. We made our submission to the Research Excellence Framework in March 2021, submitting more than a thousand academics, ranking Northumbria 21st nationally by submission size.

Northumbria is achieving its ambition of being a research-rich university, with a notable increase in research awards over the last year marking an upswing in national and international recognition of Northumbria's growing research standing and capacity. Research Grant and Contract Income grew 15% in 2020/21, despite Covid-19.

Northumbria again saw strong student recruitment, recruiting well qualified students from all backgrounds, in an ever-more competitive environment. We continue to support our students to succeed academically and personally, irrespective of background, providing Scholarships and Bursaries worth £3.4m, a £2.3m hardship support fund, and laptop grants to 260 students. A laptop loan scheme has also been

developed with the Students' Union over the last year.

With more than 34,000 students, the University has also grown its cohorts of masters, doctoral, international and degree apprenticeship students. We have continued to see growth in the number and quality of international students recruited to our Newcastle campuses. Our London Campus is one of the largest satellite campuses in the capital and our Amsterdam Campus, in partnership with the Amsterdam University of Applied Sciences, expanded the number and range of undergraduate and postgraduate programmes and research collaborations, despite the challenges of Brexit and the pandemic.

Northumbria has continued to support national efforts against Covid-19. Research on genome sequencing has improved understanding of the genetic code of the Covid-19 virus in the UK and how it spreads. Our world-class researchers are well placed to take advantage of emerging opportunities in the year ahead and to continue to make a real impact on the world.

As we look to the future and a welcome return to face-to-face working and learning, the University's achievements over the past 12 months and its solid financial position provide a strong foundation from which to weather the uncertainties ahead and to continue our ambitious transformation. As always, I am proud of the many achievements of the University's staff and students, a number of which are illustrated in this Annual Report.

A handwritten signature in black ink that reads "A. B. Wathey". The signature is written in a cursive, flowing style.

Professor Andrew Wathey CBE
Vice-Chancellor and Chief Executive

20 December 2021



Chair's introduction



Northumbria University's Annual Report and Financial Statements for 2020/21 illustrates our considerable achievements as we approach the later stage of our University Strategy 2018-23.

In recent years Northumbria has hugely transformed in outlook, standing and scale as a research intensive, modern university with a global reputation for academic excellence. We are a new kind of excellent University, and our success is founded on an ambitious Vision 2030 and a robust University Strategy. I am proud, along with our Board of Governors, to be part of one of the largest and most ambitious universities in the UK, with over 34,000 students from 142 countries and over 3000 staff. Our students achieve impressive outcomes across a range of professions and occupations and are motivated by

the role they can play in shaping a sustainable and prosperous future.

Northumbria's achievements during 2020/21 are a direct result of collective focus and effort: our people, culture and values are key to our future success. I am, as ever, encouraged by the positive impact this has ultimately made to our growing reputation in the sector, and, accordingly, to our standing as a partner to current and potential stakeholders.

At the heart of our governance and decision-making are the students we are here to serve and our staff who serve them. 2020/21 continued to see excellent staff and students joining Northumbria despite the global pandemic with continued improvements and investment in developing alternative approaches to teaching, research, on campus facilities, technology and the wider student experience. The University also invested time and resource in providing much needed support for the mental health and wellbeing of its staff and students in what has been a challenging year for us all.

Despite the pending changes to higher education expected in the coming months, cost pressures and competition that affect the entire sector, we have remained in a sound financial position - as these financial statements demonstrate. We are continuing to make investments that will maintain this stability to support the delivery of our Strategy and Vision 2030. The long-term sustainability of what we do each day, and strive to improve in the future, is critical if we are to continue to nurture and develop the next generation. Investing in our future as a University is investing in their future.

I want to pay tribute to all University staff, ably led by the Vice-Chancellor and Chief Executive and his Executive team, for their extraordinary efforts with students, colleagues and partners through these difficult and challenging times. The impact of Covid-19 and the disruption to normal life as well as the significant changes to the sector has given rise to great uncertainty. I would like to thank all our staff, on behalf of the Board of Governors, for their ongoing commitment and contribution to the success of this University. Earlier this year Professor Andrew Wathey announced his intention to step down as Vice-Chancellor next year. Andrew has been an outstanding Vice-Chancellor during his fourteen year tenure and we are very fortunate indeed that he will leave the University in an excellent place to thrive and take on opportunities for the future.

Our priority will continue to be on delivering the Strategy, with a steadfast focus on quality, working in partnership with students and key stakeholders. Given the ongoing challenges of Covid-19 and uncertain market conditions, it is crucial that the Board and Executive Team remain firm in their commitment to our ambitious direction of travel whilst recognising the need for flexibility in responding to the changing local, national and global environments.



Dr Roberta Blackman-Woods
Pro-Chancellor and Chair of the Board of Governors

20 December 2021

KEY ACHIEVEMENTS – LEAGUE TABLES

We are ranked 41st in The Guardian University Guide 2022 and 49th in the Complete University Guide.

We are in the top 401-500 universities in the Times Higher Education World Rankings 2022.

Northumbria is rated as one of the world's best young universities, featuring in the top 100 universities in the annual Times Higher Education's Young University Rankings. It is the second highest rated UK university in this global league table.

The most recent Times Higher Education World University Rankings sees Northumbria ranked within the top 20% in the world, and 35th in the UK, for research citations, signaling the influence the University has in spreading new knowledge and ideas.

Strategic Report

Vision, strategy and impact

Northumbria University creates and applies knowledge for the benefit of individuals, communities and the economy. Through excellent research, teaching and innovation we transform lives, making a powerful contribution to cultural and economic development and regeneration, locally, nationally and globally.

Vision 2030

Northumbria's Vision 2030 is to be a research-rich, business-focused professional university with a global reputation for academic excellence. This distinctive Vision of Northumbria as a new kind of excellent University is underpinned by the University Strategy 2018-23.

Academic excellence lies at the heart of our Vision. Achieving strength in both education and research, a differentiator for high quality universities, will secure the University's success and sustainability in the context of greater competition and student choice, globalisation and technology. Our ambition is to be in the top 30, and then top 20, of universities in the UK, as a key indicator of reputation for academic excellence.

University Strategy 2018-23

The University Strategy provides a roadmap for five years, setting the pace and direction to deliver the next steps in the University's transformation.

The Strategy includes five strategic outcomes which collectively describe what Northumbria University will look like in 2023. We measure progress against the outcomes using Key Performance Indicators and through regular reporting to the University's Board of Governors.

Work is now ongoing to develop the next five years of the strategy, which will build on the strategy to 2023 and continue with the vision to 2030.

Our impact

Northumbria University is making a remarkable impact on the world. We are a challenger institution, transforming to take on tomorrow. Our ambitious Vision and the value we add to everything we do creates new knowledge that benefits society and transforms our students' lives. We are equipping our students to tackle tomorrow's challenges head on and to lead the way forward.

We have strength in research and education across the whole institution, enabling high quality knowledge exchange through our work with others. Our people, and the alignment between their ambitions and those of the University, drive our continued transformation. Research is embedded in education and knowledge exchange to drive academic excellence, and in turn, education and knowledge

New Research Council-funded Doctoral Training Centres in renewable energy (EPSRC), and in climate and environmental sciences (NERC), doubling the total number of centres from two to four. Lead UK University in a £20m US/UK study of the West Antarctic Ice Sheet and global sea levels.





We have more graduates in managerial jobs in the North East than any other university, and more than the whole of the Russell Group combined.

exchange which will transform outcomes for students and stakeholders. Our growing academic excellence will produce a stronger global reputation; we will work with more high reputation partners and it will enable us to diversify our income. Through organisational sustainability, efficiency, and effectiveness, we will deliver value for money, ensure that the resources are available to implement the Strategy, and manage the impact we have on our environment.

Knowledge creation

Northumbria's academics collaborate with students, alumni and international partners to carry out world-class research, tackling tomorrow's challenges today and making a remarkable impact on the world.

Our international network of more than 500 partner universities, colleges and schools as well as global industrial partners ensures we provide a supportive learning community that attracts some of the best researchers from around the world.

The University's track record of securing increasingly high volumes of research awards from funders illustrates both the University's growing reputation for research and effective research partnerships with other universities and stakeholders.

Current, demand-led courses

Northumbria University delivers high-quality teaching, learning and outcomes for our students in a research-rich learning environment.

Thanks to Northumbria's excellent links to industry our courses are recognised as delivering the skills global business needs. More than 430 employers sponsor our students, and more than 50 professional bodies accredit our courses. More than half of our undergraduate programmes are accredited by professional, statutory and regulatory bodies and over one third of our academic staff hold professional registrations and memberships.

An excellent student experience

With more than 34,000 students, Northumbria is one of the largest universities in the UK, providing a diverse and comprehensive offer to its students. It has a national and global reach, with campuses in London and Amsterdam, and programmes delivered in collaboration with prestigious partners worldwide including in Sri Lanka, Indonesia, Singapore and Malaysia. More than 8,500 international students from 143 countries now study at one of Northumbria's campuses, or on a Northumbria course overseas.

In the past 12 months Northumbria has continued to invest in new academic posts, recruiting more than 140 new academic staff across all four faculties and at all grades from early career researchers to professors with established international renown. These new roles show how we continue to develop our research focus, but will also support the ongoing investment in our academic content and teaching quality.

We are committed to providing targeted and effective support to students to ensure they achieve their full potential. We offer a range of academic, support and wellbeing services, graduate start-up and careers and employability assistance, as well as outstanding facilities and resources.

Ensuring the best possible experience for all our students remains a priority for the year ahead. We aim to deliver a fulfilling and inclusive education in an engaging and research-intensive learning environment which enables our highly-skilled graduates to succeed in their future careers and to make an impact on the world. We also know we can do more to support student satisfaction, and a particular focus in 2021/22 will be on working closely with the Students' Union to maximise our joint impact.

Northumbria, over the last decade, has supported the creation of over 300 businesses by its students and graduates which now employ more than 1,000 people and have a combined annual turnover of £86.4m – ranked 5th in the UK. (Source: Higher Education Business and Community Interaction Survey 2019/20)

Value for Money

We have an ongoing and clear focus on ensuring Value for Money for our staff, students, and other stakeholders including taxpayers. Efficient and effective procurement of goods and services is a key enabler of this, as is the effective use of our resources including the estate. But we know that Value for Money means much more than this.

We continue to ensure that Northumbria adds value across all its activities, through the student experience whilst studying, through support for employability, and through ensuring that we are transparent about how we use our resources.

Further Value for Money information, which is primarily focused on students and covers where the University's income comes from and how the income is spent, can be found on the University's website (<https://www.northumbria.ac.uk/about-us/university-services/finance-team/value-for-money-for-our-students/>).

Financial and operating outlook

Our financial strategy is to ensure a strong and sustainable University, able to generate surplus cashflows which allow delivery of an enhanced global reputation for academic excellence, and which support re-investment to drive income growth and diversity. The University Strategy is supported and enabled by financial plans which are designed to support ongoing investment whilst mitigating the significant risks we face.

Although the outlook for the 2021/22 financial year is still impacted by some significant uncertainties, the University remains in a strong position, with the positive results for 2020/21 building on those of previous years to provide a good cash buffer. This, along with good recruitment for the 2021/22 academic year, means the University can approach 2021/22 and beyond with confidence.

KEY ACHIEVEMENTS – EDUCATION

Ranked 9th in the UK for 'value-added' – or how a student's academic performance improves at university. (The Guardian University Guide 2022).

Northumbria is currently in the top 25 in the UK for the number of graduates entering highly skilled employment, with over 90% of graduates working or studying six months after graduation. 25% of all the graduates employed in the North East of England in highly skilled employment from the 2018/19 cohort were graduates of Northumbria University.

Ranked 5th in the UK for graduate start-ups based on aggregated turnover. Over the last decade the University has continually ranked within the top 5, including five years ranking in first place. (Higher Education Business and Communities Interaction Survey for 2019/20 (HEBCIS).

Northumbria is now ranked 36th in the UK for median graduate earnings three and five years after graduation, according to the latest Graduate Outcomes (LEO) statistics. Source: Graduate Outcomes (LEO): Region by provider, 2016-2017.

Since 2003 Northumbria has supported the creation of more than 400 graduate businesses, which now employ almost 1,100 people and have a combined turnover of £86.4m.





Operating and financial review

The operating and financial review in the 2019/20 Annual Report and Financial Statements began by observing the year would 'live long in many people's memories' and 2020/21 was no different. Some of the challenges faced during the year were expected, as the country became used to living with and responding to a pandemic. Others were less expected as government-enforced restrictions had a particular impact on students and on campus-based activity, and as changes to A-level results in the summer of 2021 made for a more complicated confirmation and clearing period. For Northumbria these challenges were exacerbated by a serious cyber-attack in late August 2020, which disrupted many areas of operations including the enrolment process.

It was against this background of multiple challenges that we saw one of Northumbria's key strengths, as staff from all areas, academic and professional support, and at all levels worked together to respond. Whilst never easy, this contributed to ensuring that a challenging year still resulted in strong outcomes both financially and in delivery of the strategy.

Financial performance and position

The operating performance for 2020/21 was strong, despite the anticipated challenges of the financial year:

Key financial metrics	2020/21	2019/20
	£'000	£'000
Income	304,134	277,178
Operating surplus / (deficit)	2,502	5,879
Operating surplus before exceptional items	1,959	3,317
Adjusted EBITDA	39,229	33,227
Adjusted net operating cashflow	46,105	33,954
Cash and investments	100,040	66,942

- Whilst the Pandemic limited income in a number of areas, the University continued to generate a strong operating surplus of £2.5m. Once exceptional pension adjustments, which have no in-year cash impact, are excluded the underlying operating surplus reduced to £2.0m.
- Adjusted EBITDA (Note 29), being Earnings before FRS 102 pension adjustments, interest, tax, depreciation, and amortisation, increased to £39.2m, compared to £33.2m in 2019/20.
- Adjusted net operating cashflow (Note 29), including recurrent capital grant funding of £3.2m (2019/20: £2.4m), was £46.1m, an increase of £12.1m compared to 2019/20. Adjusted net operating cashflow is the University's financial KPI for the period to 2022/23. A target of net adjusted

operating cashflow of £26-£30m on average across the 5-year period has been set, inclusive of recurrent capital grant funding (shown in the statutory cashflow statement under 'capital grants receipts'). The 2020/21 performance exceeded this target and, along with the previous two years' figures, gives an average for the three-year period of £34.2m

Adjusted net operating cashflow is the key financial sustainability metric for the University Strategy 2018-2023. This metric allows us to focus on our ability to generate cash inflows, and is less prone than others to fluctuating accounting estimates resulting from equity values, changes in discount rates, and one-off provisions and impairments.

The strong operating performance has continued to contribute to the University being in a strong financial position. The positive operating cashflows, along with a smaller-than-usual capital plan and further delays to capital projects because of the pandemic, have contributed to cash and investments increasing by £33.1m to £100.0m. This means the University is well placed both to support ongoing investment in the strategy and to respond to the challenges which face the sector.

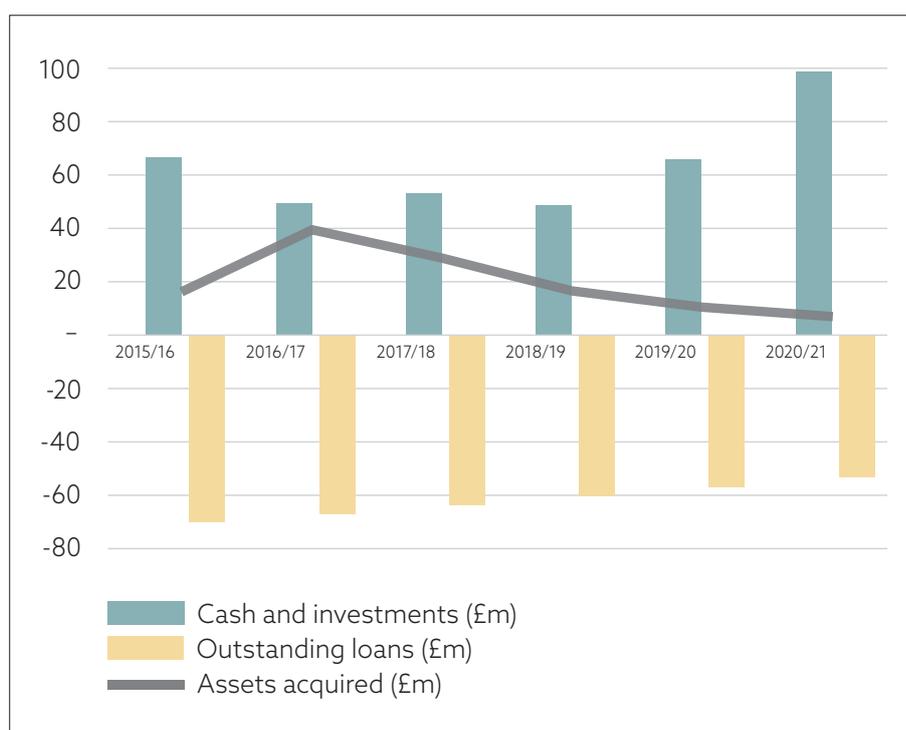
The University's remaining loan balances with Barclays Bank (payable over a 15-year period, at rates fixed via hedging arrangements) have also reduced by £3.3m to £53.8m, meaning net debt has decreased by £36.4m. This has contributed to an increasingly strong balance sheet, with net current assets growing to £63.1m (2019/20: £31.3m) and reserves, excluding the pensions provision and hedging reserve, being £325.2m (2019/20: £306.2m). These reserves are excluded to help show the underlying positive performance of the University, although the future costs of providing pensions remains a significant issue for both the University and the wider sector.

Income

Financial stability and sustainability is a key enabler of the University's strategy, and the continued growth and diversification of income is an important factor in how this is being achieved. Even with the significant challenges faced in 2020/21, good progress continues to be made towards a more diversified income base.

Tuition income and student recruitment and retention

Total tuition fees for 2020/21 of £239.9m showed a 10.8% increase compared to 2019/20. Excluding the significant growth in our London Campus, run in partnership with QA Higher Education, growth was 9.4% to £221.0m. A key contributor to this growth was a £8.5m (20.3%) increase in international fees, reflecting continued successful recruitment to both the Newcastle and



London campuses and highlighting the benefits of the long-term improvements to the University's reputation and rank both in the UK and internationally. The strong international fees are partly the result of a large cohort recruited in early 2020 (prior to the pandemic) but were also achieved despite many students facing the challenge of travelling to the University during the pandemic, and despite the disruption caused by Brexit. With the University also facing a cyber incident during the enrolment period, the successful enrolment of c20,000 students was a testament to the hard work of staff across the institution.

Fees from UK and EU students (including nursing courses) increased by £16.9m from 2019/20. This reflected that, whilst international student numbers were below normal levels for some courses in the September 2020 intake, the recruitment of UK students was particularly strong in the summer of 2020. Importantly, in an increasingly competitive recruitment landscape and despite changes to A-level grades, this

was achieved whilst maintaining entry grade standards therefore helping to confirm Northumbria's position as a quality institution.

The recruitment of students was only part of the story for 2020/21, with all students impacted by extended government lockdowns and by a reduced level of activity on campus. Significant support over and above that in any normal year was provided directly to students during the year, helping ensure that students could continue to study. This included £2.1m of direct support through paused rent for University accommodation; £0.7m of hardship funding to support rent payments outside of University accommodation; £0.2m on food parcels and isolation support for students in self isolation; £0.25m to support digital inclusion through the provision of laptops; and £0.15m spent in response to increased student mental health concerns, in part by the establishment of a Wellbeing Hotline which made over 30,000 calls.

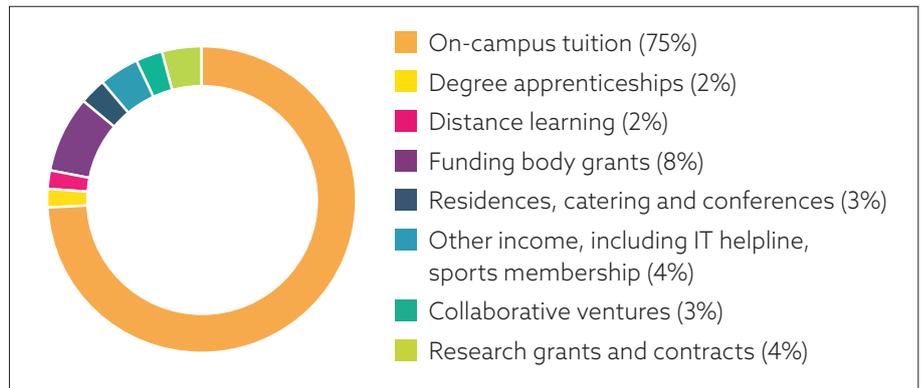
League tables	Rank 2021
Guardian University Guide	41
Times Good University Guide	62
Complete University Guide	49
THE World University Rankings	401-500
THE Young University Rankings	81
QS World University Rankings	701-750

Income diversification

UK/EU student fees remain the largest income source, but the University has continued to see growth in other income streams. In addition to the growth in international fees, income from research grants and contracts grew by 23.7% to £12.3m. This reflects Northumbria's growing reputation for research quality and was achieved despite the challenges of maintaining research activity during the pandemic.

Northumbria continues to be a destination of choice for prestigious fellowships, with awards of note in 2020/21 including: £1.2m to Dr Felicia Gottmann for a Future Leader Fellowship to research the role immigration played in developing new technologies between 1500-1800; £0.5m to Dr John Coxon for a 5-year Ernest Rutherford Fellowship from STFC to study solar-terrestrial interactions using novel datasets and techniques; and four awards from the Leverhulme Trust for Early Career Fellows in the 2021 round to investigate a range of topics from novel renewable energy technologies to emerging and historic issues affecting society. Our multidisciplinary energy research also received recognition from EPSRC, which awarded the University £1.0m in 2021 to undertake two collaborative research projects investigating novel photovoltaics manufacturing processes and new energy materials. Also of note were four AHRC standard grants worth over £2m, collectively responding to AHRC's remit to fund world-class independent researchers in a wide range of subjects including archaeology, history, languages and literature and design.

Other areas of diversification continue to benefit the University both financially and academically. Collaborative ventures (including Transnational Education partnerships and our collaboration with QA Higher Education on Pathway Programmes for international students) grew by 6.5% to £9.3m, whilst the University's London campus has continued to expand with 2020/21 income growing by £4.2m (29.4%) to £18.5m.



We grew our Amsterdam campus Postgraduate programmes from three to six in 2020/21, increasing student numbers to 97. The relationship with Amsterdam University of Applied Sciences (AUAS) continues to develop well with our first joint degree, a Masters in Global Sustainable Business Management, being approved by the Dutch regulator with 18 enrolments on the programme for 2021/22. The Campus in Amsterdam remains a strategically important sign of our commitment to being an outward looking and international University and, as the partnership grows, it can be expected to contribute further to both our teaching and research income streams.

Degree Apprenticeship student numbers also continue to grow, with these contributing to the growth in tuition income. The strength of our flagship partnerships with Northumbria and Durham Police forces, as well as the NHS including Lancashire Teaching Hospitals NHS Foundation Trust, have seen total income from Degree Apprenticeships grow from £4.3m in 2019/20 to £6.8m, with student numbers growing from 900 to 1572.

Whilst total income from our residencies dropped from 2019/20, this was the result of a decision to pause rent and ultimately release students from accommodation contracts as a result of the government-imposed lockdowns. Along with lost income from summer bookings, accommodation income of £8.3m was £1.4m lower than 2019/20 and £3.1m lower than 2018/19, the last year not impacted by Covid-19. This

illustrates the financial challenges of the pandemic, but also how the University supported students through what we recognise was a tough year.

Student experience

We aim to deliver a fulfilling and inclusive education in an engaging and research-intensive learning environment which enables our highly-skilled graduates to succeed in their future careers and to make an impact on the world. We also know we can do more to support student satisfaction, and a particular focus for the year ahead will be to ensuring the best possible experience for all our students and to do this we will work closely with the Students' Union to maximise our joint impact.

Supporting and investing in our people

Continuing to support and invest in our staff was a major challenge during 2020/21. Part of that support was focused on ensuring that staff could work effectively, with a significant spend on providing IT equipment for remote working. IT Services has employed six additional members of staff, including four graduate appointments, to assist in producing learning content for academic staff. Across a twelve-month period, the new team delivered 322 content development projects for the University as well as module and programme templates, student induction material and an interactive anatomy hub for use across numerous Health & Life Sciences programmes. A further element of support was provided by the Government's Covid Job Retention

Scheme (Furlough), with £0.4m being claimed during the year which played a part in ensuring that all staff could be retained.

Before exceptional pension costs, staff costs of £182.6m were 60.0% of total income (2019/20: £166.5m / 60.0%). The increased costs reflect increasing salary and pension costs but also that we continue to invest in the academic staff base. The number of academic staff increased from 1,378 to 1,506 in 2020/21 (note 7), the fourth successive year of growth with the key drivers of this growth being investment in new staff to deliver the income growth and, in particular, the ongoing investment in research which saw 1,096 staff (1,056 FTE) with Significant Responsibility for Research submitted to the 2021 REF exercise. This submission has seen Northumbria's share of the total staff submitted nationally more than double since the 2014 exercise.

Pensions

The provision of attractive pensions arrangements remains a key element of the University's overall approach to pay and conditions, and 2020/21 saw a continued emphasis on ensuring that all staff are able to benefit from an appropriate retirement savings plan. However, the cost of providing access to pensions increased significantly again during the year, with these costs being a key issue for the University and sector. Four schemes are available to Northumbria staff, each of which has different challenges and accounting treatments.

Membership of the University's own defined contribution pension scheme continues to grow, with 685 members (11.9% of the staff base) at the end of 2020/21 (2019/20: 528, 9.4% of staff base). This scheme offers attractive terms for members by comparison with many pension arrangements (including a zero percent contribution rate option for members), whilst providing the University with certainty of costs both now and in the future.

The financial results show an exceptional pension credit for the year of £0.5m (2019/20: £2.6m). This relates to the Universities Superannuation Scheme (USS), for which the University recognises a provision in the accounts for the recovery of the deficit. As in 2019/20, the change to the provision is an accounting entry only and has no cashflow impact. However, the size of the provision is indicative of Northumbria's share of the deficit which, proportionately, is a small share of the significant total scheme deficit. Throughout the year the University has engaged with the Trustee and UUK in respect of the 2020 valuation to ensure a good outcome for those universities like Northumbria which have only a small exposure to the scheme.

Since the year end announcements have been made which confirm that the contribution levels to the USS scheme for both employers and employees are not as high as initially anticipated, representing only a moderate increase (0.5% and 0.2% respectively) from the rates previously in place. Potentially more importantly, the outcome of the valuation does not include covenant support measures as restrictive as initially feared for 'limited participation' employers such as Northumbria, avoiding the risk of the Scheme taking security over Northumbria's assets. However, whilst this is positive outcome for the University compared to what might have happened, it must also be recognised that the proposed changes to benefits are less positive for members. As a result, the University has already engaged with members to support them in understanding their pensions options, given the availability of other schemes.

The Local Government Pension Scheme (LGPS) deficit has decreased in the year from £255.3m to £217.2m, partly because of a large actuarial gain driven by an increased discount rate and a £51.4m gain (17.3%) to the fair value of scheme assets which represents the upturn in the global economy after the economic crisis caused by the

pandemic. As with the USS scheme, whilst changes to the valuation of the assets and liabilities are indicative of the financial strength of the scheme, the movement in the deficit does not have an in-year cash impact. Instead, percentage contribution rates for current service, and any lump sum deficit recovery payments, are set following each actuarial valuation. The completion of the 2019 actuarial valuation of the scheme in 2019/20 has resulted in the total level of contributions made by the University decreasing since, as at 31 March 2019, the deficit in the scheme had been materially recovered.

A significant cost increase was seen for the Teachers' Pension Scheme when the employer contribution rate increased to 23.6% from 16.47% in September 2019. This continues to add c£4.3m to the University's recurrent annual staffing costs, again illustrating the challenges of maintaining attractive pensions provision despite the cost increases.

Operating expenditure and capital investment

Whilst the Covid-19 pandemic inevitably had an impact on operations, the University maintained a strong focus on being "open for business" during the year. Some aspects could not continue as planned – e.g. reduced non-education activity on campus, travel being heavily restricted and £3.2m lower than in 2019/20, and a reduced capital plan – but most activities and associated spend were able to continue.

Operating costs and management of the cost base

Our non-staff operating expenses, excluding depreciation and interest costs, increased by £12.3m (15.9%) to £92.8m within the consolidated results. Within the University's own results (which exclude the consolidation of the growing London Campus income and costs) operating expenditure increased by £9.2m (11.4%), primarily as a result of: £2.4m of additional expenditure on IT operating costs, over and above capitalised hardware purchases; a £2.1m

increase in partnership payments including as a result of increased Distance Learning provision with our partner Pearson; £1.3m on building maintenance as part of a focus on keeping the campuses fit for purpose; and a £1.8m increase to bad debt costs which reflect the challenging economic operating environment.

However, whilst costs have increased, the overarching strategy of managing the cost base in order to open up headroom for investment remains a core part of both the annual planning cycle and the longer-term financial strategy. The University therefore continues to prioritise investment in areas which support the strategy, and particularly focuses on:

- Enhancing and growing research
- Delivering high quality teaching
- Enhancing the student experience
- Improving rank and reputation
- Building resilience and efficiency across our operations, including IT and Estates, and
- Growing non-regulated (non-OfS funded) income streams to enable future investment.

Capital investment

The University continued to invest in its estate, equipment, and IT infrastructure during the year, although the extent of capital investment was limited by the pandemic. £5.1m (note 16) of capital additions were made to buildings, infrastructure and equipment, and £1.5m (note 15) was invested in intangible assets (software and intellectual property). Among the major areas of investment were:

- £0.3m to support growth in the provision of nursing courses, providing skills models and training simulators;
- A further £0.3m investment (part funded through UKRI's Expanding Excellence in England programme) in the development of the world's first

research hub for Biotechnology in the Built Environment in partnership with Newcastle University, bringing the total spend in this area to £1.4m.

- IT investments including £1.2m to standardise equipment for academics and £0.7m to re-design and replace the existing network management systems with a best-in-class solution.
- The purchase and implementation of a new ERP software solution for HR and Finance (£1.1m invested to date as part of a longer project).

Work has also continued to plan the future of the University's estate for 2030 and beyond. Whilst much of the estate remains in good condition, there are areas where improvements need to be made including to reduce the University's carbon footprint. The pandemic has also changed both the local property market and the way in which people work, and a revised Estates Masterplan will be developed during 2021/22 in response to the new operating environment.

Sustainability and the environment

We are committed to supporting the United Nations' Sustainable Development Goals (SDGs) not only through our own operations, but also through our research and teaching output. This has been reflected in ranking 50th in the world for sustainability in the THE Impact league.

Following on from the huge successes we have had in reducing Carbon Emissions since 2015, the University has agreed a new Carbon Management Strategy aiming to achieve Net Zero Carbon by no later than 2040, and a minimum of 80% reduction by 2030, based on a 2015 baseline. Our focus remains to improve energy efficiency and reduce energy use, as well as moving away from fossil fuel heating. Our environmental indicators have of course been impacted significantly by the global pandemic. Compared to 2019/20, we have seen a 17% reduction in waste, a 92% reduction in emissions from organisational travel and a 10.5%

reduction in scope 1, 2 & 3 emissions. The pandemic, however, does present challenges to energy use, given the need for increased ventilation.

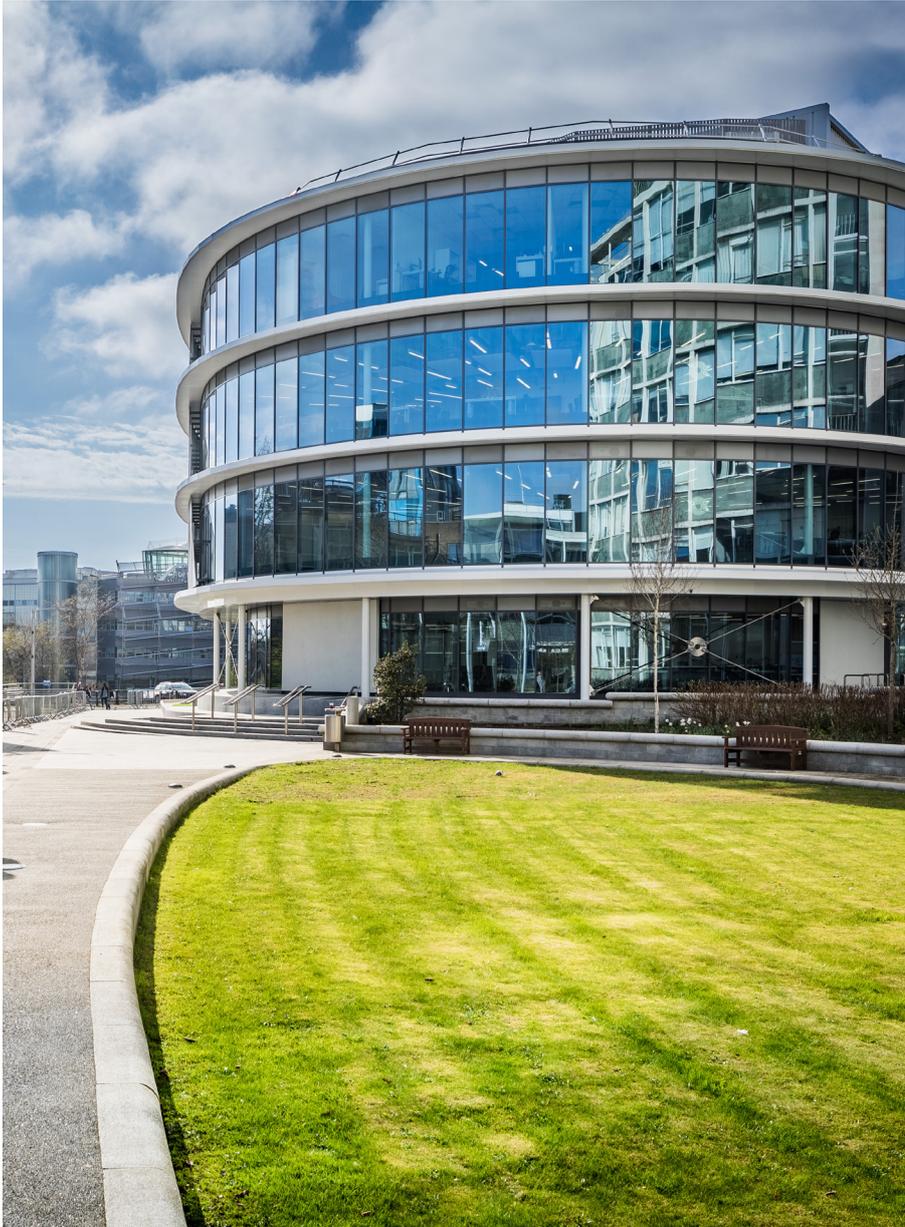
Our research and partnerships continue to make significant, positive impacts to tackle global challenges, from understanding ice melt in Antarctica to developing new solar technologies. We have collaborated with Newcastle University to create and launch the Collaborative Newcastle Universities Agreement. As part of this commitment, the two universities will be working closely with a range of partners in the public, private, voluntary, and cultural sector and will focus on the key challenges of prosperity, people and planet. This includes the formation of a new IntoUniversity centre in Newcastle to provide academic support and skill development for 7-18-year-olds, to help them achieve a university place or another chosen aspiration.

We not only support access to education, but we are also committed to supporting Education for Sustainable Development. Our new, IEMA-approved Sustainability Ambassadors programme provides the opportunity for all students to learn more about sustainability and to take action in support of the SDGs. We have run multiple events to support student learning on real world sustainability challenges, including the Newcastle NetZero Summit and Innovation Challenge, and we continue to new courses with a dedicated sustainability focus, as well as embedding sustainability content within programmes across the curriculum.

Financial outlook and assessment of going concern

The outlook described in the 2019/20 Annual Report was one characterised by uncertainty and, whilst there is perhaps less uncertainty now, this is only relative. However, as was the case last year, Northumbria can approach the future with confidence.

The 2020/21 year saw another strong set of financial results despite the challenges of the pandemic and



cyber-attack. These results built on the previously strong financial base to provide a significant cash buffer of £100.0m which provides both a safety net in the event of further unexpected challenges, and a basis from which to invest in the strategy.

The 2021/22 academic year has also started well, with a number of significant research funding wins and strong recruitment to the key semester 1 intake for both home and international students. Along with continuing students, this means that the total student population is marginally above that assumed in the budget.

The risks and uncertainties which remain – especially relating to the pandemic, government policy, and a changing UK and international higher education market – continue to be closely managed. The University’s annual planning and budgeting round has again been used to ensure that the strong financial position and headroom can be maintained, with key control measures including:

- Setting a budget with significant income and investment contingencies prioritised towards protecting the headroom whilst facilitating strategic investments; and

- A clear in-year process for the release of investment funding to ensure its impact is maximized.

As with any university, the Board of Governors must confirm that it has reasonable expectation that the University has adequate resources to continue in operation for the foreseeable future. Against the financial outlook, the Board has confirmed this view, and the University continues to adopt the going concern basis for preparing the financial statements. In reaching this conclusion, the Board has reviewed the sustainability of the University and is satisfied that the strategies, plans and processes in place will help the University move towards the achievement of its strategy. In particular the Board has considered the environment in which the University is operating as an institution and considers the University to be financially sustainable, with key items providing assurance to the Board being:

- Regular reviews of performance, including via the annual budgets and five-year forecasts submitted to the OfS;
- Regular reviews of performance against budgets and forecasts, using net adjusted operating cashflow as a key performance indicator relevant to institutional financial sustainability;
- The University’s strategic risk register, and the reporting on this via the Employment & Finance and the Audit Committees;
- Updates on compliance with the financial covenants of the University’s lenders, Barclays plc, and of compliance with measures required by OfS; and
- Sensitivity analysis and scenario modelling to assess the impact of risks including Covid-19, sector changes, revisions in government policy and variable student numbers.

Principal uncertainties and how we respond to them

The external regulatory and operating environment for HE providers in England continues to change amidst significant political turbulence and economic uncertainty, compounded by the impact of the Covid-19 pandemic and related changes to ways of learning and working. A firm commitment to our Vision 2030 horizon and the University Strategy 2018-23 objectives provides the steady focus with which we navigate through the current competitive pressures and uncertain landscape.

Northumbria's Board of Governors and University Executive jointly recognise that the University's principal uncertainties present both opportunities and threats. Northumbria uses its risk management and internal control arrangements, described in our Statement of Internal Control, to support its strategic and operational planning objectives, to respond appropriately to the changing environment.

Our Strategic Risks, listed below, remain anchored into the strategic objectives in our University Strategy 2018-23. While the key risk areas continue to align with those reported in previous years. The coming years present clear challenges as a result of the heightened economic and societal uncertainties as well as the reforms to the Higher Education sector and we will respond with innovation and flexibility.



<p>Student outcomes and experience</p> <p>We aim to improve student outcomes, experience and satisfaction. Student feedback and educational learning analytics influence changes to our academic portfolio, our technology, estate and facilities and a range of plans.</p>	<p>Research culture and related outcomes</p> <p>Strengthening our research culture to achieve our desired shift in our research reputation continues with pace, submitting almost 1100 colleagues in REF 2021. We continue to invest in new academic posts, early career researchers and research support systems and facilities to provide a research-rich learning environment for staff, students and partners which impacts on society.</p>
<p>Staff Engagement and Culture</p> <p>Our Strategic Plan for People supports delivery of the University Strategy 2018-23 and the development of our culture remains a key priority. Leadership development and team working have played a crucial role throughout the Covid-19 pandemic. Regular staff communications have strengthened the culture, with particular emphasis on health, safety and wellbeing.</p>	<p>Financial sustainability</p> <p>We seek to increase and diversify our income and manage our cost base. This means we can invest in our people and our Strategy. Our robust financial planning arrangements and strong management of costs enable us to allocate resources with confidence, focus and flexibility.</p>
<p>International opportunities and uncertainties</p> <p>International recruitment and broader partnerships remain subject to changing UK Government, EU and international policy changes, global competitive pressures and increased uncertainties arising from the Covid-19 pandemic. Our International Strategy will remain flexible and responsive to the changing global opportunities.</p>	<p>Brand, reputation and market position</p> <p>We continue to improve our distinctive offer to reflect our strength and ambition, and this is illustrated in our improving market position. The brand remains crucial to reinforcing Northumbria's reputation as a challenger institution within the HE market. Success in our fundamental areas of education and research support our efforts to drive performance and market position.</p>
<p>Strategic Partnership opportunities</p> <p>The development of new and existing high-quality strategic partnerships forms a central strand of our Strategy both at home and abroad, and across our broad range of activities. These partnerships provide a broad range of research, educational and employment opportunities for our students and staff.</p>	<p>Exploiting benefits from the University Estates</p> <p>Our estates developments provide the opportunity to significantly enhance and maintain facilities to improve student and stakeholder experience/outcomes in line with University Strategy objectives and improve the efficiency of the use of the estate.</p>
<p>Managing compliance</p> <p>We ensure pro-active, proportionate legal and regulatory compliance arrangements by employing skilled, experienced staff, undertaking routine horizon scanning, professional development and training and maintaining clear policies, procedures and systems that ensure compliance levels are maintained, including via formal internal and external audits.</p>	<p>Covid-19 Pandemic</p> <p>We continue to manage the immediate and long-term implications of the Covid-19 pandemic across all university activities to minimise business disruption, meet student expectations, promote staff and student wellbeing and manage financial impact.</p>
<p>Fit-for-Purpose, resilient Business Processes</p> <p>We maximise opportunities to ensure fit for purpose operational business processes that are resilient when disrupted including supporting the digital fluency of staff and students and services that are underpinned by secure digital systems.</p>	<p>Fit-for-purpose, Resilient, Secure IT Infrastructure and Data Management</p> <p>Improving the information technology infrastructure and security protocols, and data loss prevention capabilities that underpin the student and stakeholder experience.</p>

KEY ACHIEVEMENTS – RESEARCH

Northumbria staff have been awarded four prestigious Leverhulme Early Career Fellowships. The four new Fellows have been awarded £464,000 to investigate new technologies and emerging and historic issues affecting society, bringing Northumbria University's total awards from Leverhulme to undertake world-leading research to £2.5 million since 2018.

Northumbria has invested heavily in growing research capacity and the University is ranked 21st in number of staff submitted to the Research Excellence Framework 2021.

Excellence in global development futures with strong relationships with the Red Cross, International Centre for Climate Change and Development in Bangladesh and other NGOs supporting sustainable communities in the global south.

Northumbria is a core academic partner of the COG-UK consortium. The University's state-of-the-art DNA sequencing research facility, NU-OMICS, is assisting the consortium in rapidly sequencing whole SARS-CoV-2 genomes. This project has successfully illustrated the translational power of genomics in helping understand infectious disease evolution and transmission during the pandemic.

Research into building information modelling technologies and processes led to the award-winning spin-out BIM Academy Enterprises Ltd, which has generated £5.4m in earnings (August 2013 -December 2020), improved productivity, and transformed working practices for 80+ UK and international clients.

We have received our third successful confirmation of the national HR Excellence in Research Award, recognising the supportive environment we provide for our researchers on fixed term contracts.

Public benefit role

The University of Northumbria at Newcastle is an 'exempt charity' under Schedule 2 of the Charities Act 1993, the Charities Act 2006 and section 22(1) of the Charities Act 2011. As an exempt charity, Northumbria is not subject to direct registration with, or regulation by, the Charity Commission for England and Wales. Since 01 April 2018, the Office for Students (OfS) has acted as 'principal regulator' of the University on behalf of the Charity Commission.

The Board of Governors, as the trustee body of Northumbria University, confirms that:

- It complies with the law applying to exempt charities, through the production of financial statements in accordance with the requirements of the OfS and disclosure of the University's charitable status by means of this document.

- It has referred and adhered to OfS Regulatory advice 5: exempt charities and Regulatory advice 9 on accounts directions. In relation to the former advice, this includes understanding and reviewing key Charity Commission requirements including on exempt charities and public benefit requirements for charities in England and Wales, which apply to the University.
- The University has reviewed its relationship with paragraph 28 connected charities that have income of more than £100,000 under Schedule 3 of the Charities Act 2011, and that there are no other connected charities to the University which require reporting on.

Although the University is not required under the Charities Act 2011, or the OfS Regulatory Framework, to produce a public benefit statement, it is committed to expressing the value it provides to its

key beneficiaries. The University's charitable purposes are delivered as an outcome of it exercising its powers as a Higher Education Corporation (HEC), which in so doing provides a public benefit principally to its student beneficiaries through the 'advancement of education', and through other charitable purposes, including the 'advancement of health and saving lives', 'the prevention or relief of poverty', 'the advancement of environmental protection and improvement', 'the advancement of human rights, conflict resolution or reconciliation' and 'the advancement of arts, culture, heritage or science' through its teaching, learning and research activities. Northumbria's public engagement and outreach activities also support the advancement of citizenship and community development. Further information demonstrating Northumbria's delivery of its charitable purposes for the public benefit is included throughout the annual report.



- In 2020/21 Northumbria University charged £9,250 fee for Home/EU Undergraduate students, the maximum fee permissible and in line with the majority of English HEIs. In recognising that life chances are unequal in society, a longstanding commitment to securing access to HE for students from a range of disadvantaged backgrounds is key. The University's commitment to widening participation and equality of opportunity across the whole student lifecycle is set out in its five-year Access and Participation Plan 2020/21 – 2024/25 approved by the Office for Students (OfS) in December 2019. The plan is effective for a period of five years unless amendments are required by the Regulator. The plan is outcome focused and ambitious. It includes a series of stretching targets across the Access, Success and Progression lifecycle which will be monitored annually by the OfS. Examples include targets to half the attainment gap between white and black students over a five year period and to half the gap in continuation between students in POLAR Quintiles Q1 and Q5 in the same timeframe. A full review of the student lifecycle versus under-represented groups was undertaken when preparing the 2020/21 Access and Participation Plan. This compared University performance over the previous five years against the sector and was underpinned by datasets provided by the OfS. This showed that the University had performed well against the sector (and regional comparators) in a number of areas including non-continuation – gaps between white and other ethnicities, Mature students – gaps in attainment between young and mature.
 - Across 2013-2018, Northumbria's investment in widening participation has helped close the gap between highest (POLAR4 Q5) and lowest (POLAR4 Q1) participation groups in HE, which in 2018 was at 23.6% and 17.6% respectively (a reduction in the gap between Q1 and Q5 by 6.9%). This has been achieved whilst incrementally increasing the average entry tariff of Northumbria's undergraduates. The latest OfS Access and Participation dashboard published in Spring 2021 shows that good progress has been made on a number of targets across Access, Success and Progression.
 - In 2020/21, the University invested over £3 million in access, success and progression, and £1.4 million in hardship support and also signed up to the Social Mobility Pledge: the Northumbria University Opportunity Action Plan will demonstrate the University's commitment to making a positive impact in the local communities and playing a leading role in tackling the developing COVID-19 Opportunity Gap.
 - Northumbria has a longstanding programme of outreach activity delivered from Year 5 through to mature students, to encourage students from all backgrounds to progress to HE. These include:
 - "NU Entry", a structured scheme for students in their first year of sixth form or college who meet specific criteria, supports students to develop the skills necessary for successful undergraduate study and have the opportunity to earn points, equivalent to UCAS tariff points, for access to Northumbria. In 2020-21 the programme, which is now nationwide, engaged 905 students and since its inception over 1,000 of those taking part in the scheme have gone on to study at Northumbria.
 - the North East Raising Aspiration Partnership (NERAP) collaboration between the five North East universities in the region working together to ensure every young person has the opportunity to make informed decisions about higher education, specifically for key groups under-represented in HE.
 - the North East Collaborative Outreach Programme (NECOP), part of the UniConnect Programme (NCOP), working with universities and colleges in the North East region to support young people in the North East in considering their future options and pathways available to them.
- Northumbria provides targeted, personalised support to reduce the gaps in performance for under-represented groups through wellbeing, learning and employability initiatives which includes:
- Learning Analytics - personalised, targeted support for students who are at risk of non-continuation, based on data driven insights we actively intervene for those students to maximise support for them to succeed.
 - Working with students and the Students' Union to co-design a university-wide peer support scheme, empowering and training student mentors across a targeted range of support areas and specifically targeted at underrepresented groups, including wellbeing and academic success, and employability.
 - Targeted employability initiatives and opportunities including internships, placements, study abroad, recruitment simulation, enterprise and career readiness, and alumni mentoring.

Statement of corporate governance

The University of Northumbria at Newcastle was incorporated as a Higher Education Corporation (HEC) following the passing of the Education Reform Act 1988. Northumbria was granted 'university' title and associated powers in the Further and Higher Education Act 1992. Our Instrument and Articles of Government - last amended by Order of the Privy Council in 2012 - set out the objects, powers and constitution of the Board of Governors, Academic Board and the Vice-Chancellor and Chief Executive and can be found on the University's website. The Higher Education and Research Act 2017 provides the opportunity for HECs, including Northumbria, to deregulate, amend and potentially revoke and replace the Instrument and Articles of Government with an alternative governing instrument relevant to any new legal form adopted by the University. The Board of Governors conducted a Governance Effectiveness Review during 2020/21; part of the response to the recommendations of the Review will be to review the governing documents in light of "model" changes recommended by a national working group exploring HEC governing instruments reform as well as the outcomes of the Review itself.

The Board of Governors is the Trustee Board of Northumbria as an exempt charity. The Board confirms that it complies with the HE Code of Governance published by the Committee of University Chairs (CUC) in September 2020.

The Board has responsibility for determining the mission, strategy and educational character of the University, and works closely with the University Executive, chaired by the Vice-Chancellor and Chief Executive, to deliver the University's priorities and achieve its sustainability and success. The Board is responsible for the stewardship and safeguarding of the University's resources, assets and

reputation, and assures itself of compliance with legal and regulatory obligations.

The Board of Governors has a range of strategic, regulatory and wider stewardship responsibilities which are not delegated to any other individual(s) or bodies. The Board's strategic responsibilities include approving and reviewing performance against Vision 2030 and the University Strategy 2018-23 and other key plans. The Board's regulatory and stewardship responsibilities centre on its role as Northumbria's ultimate legal authority and for safeguarding the University's assets and its financial sustainability, and receiving assurance that its systems comply with the University's legal and regulatory obligations, including as an exempt charity, and the OfS.

The Board delegates a number of its responsibilities in several ways:

- ensuring that the Vice-Chancellor and Chief Executive effectively leads the academic and executive management of the University: The University Executive is the University's senior leadership team, comprising individuals with academic and professional support portfolios. The role of the University Executive is to advise the Vice-Chancellor and Chief Executive who is responsible for strategic and operational management.
- its Committees: The Board has committees with responsibility for Employment and Finance, Strategic Performance, Audit, Nominations and Remuneration. The Academic Board, chaired by the Vice-Chancellor and Chief Executive, makes reports to the Board of Governors.

The Board and/or its Committees oversee, via routine reports, Northumbria's corporate governance arrangements and the adequacy and effectiveness of related arrangements for compliance with legal and regulatory matters (including OfS registration conditions), risk management and internal controls, including those relating to the regularity and propriety of the use of public funding. Measures taken to ensure the regularity and propriety of the use of public funding include:

- clear remits of the Board of Governors and its Committees;
- clear Financial Regulations which include a Delegated Authority Matrix, and working to the highest standards of openness, integrity and accountability via the seven Principles of Public Life;
- a suite of policies on counter fraud and bribery, anti-money laundering, gifts and hospitality, and travel and expenses;
- procedures that ensure appropriate segregation of duties;
- annual external audit of financial statements;
- annual internal audit plan which includes a routine audit of core financial controls;
- appropriate data assurance arrangements for external data returns;
- research grant audits (where publicly funded).

The role of each Committee of the Board of Governors, and the Academic Board, is summarised below.

Committee	Role/responsibilities
Employment and Finance Committee	<ul style="list-style-type: none"> • Approves and monitors employment strategy and policy, finance strategy, estates, IT and other capital projects to support the University Strategy 2018-23.
Strategic Performance Committee	<ul style="list-style-type: none"> • Advisory role to the University Executive and the Board of Governors in relation to performance against the University Strategy 2018-23, and the related strategic plans.
Remuneration Committee	<ul style="list-style-type: none"> • Oversight of the remuneration policy and remuneration of senior staff, including the performance-based reward scheme. • Determines base pay decisions.
Audit Committee	<ul style="list-style-type: none"> • Provides assurance to the Board of Governors on the adequacy of the University's framework for financial compliance and integrity. • Oversight of internal and external audit arrangements. • Oversight of the wider control and compliance environment including risk management, value for money, data quality and assurance arrangements, health, safety and wellbeing measures and whistleblowing.
Nominations Committee	<ul style="list-style-type: none"> • Oversight of corporate governance arrangements, including Governor recruitment and development. • Makes recommendations to the Board on its membership and that of its Committees.
Academic Board	<ul style="list-style-type: none"> • Advises the Vice-Chancellor and Chief Executive on matters of academic strategy and policy, and (although not a Committee of the Board) makes reports to the Board of Governors. • Remit includes academic quality and standards and enhancement, the student experience and research and innovation activities. • Sub-committees to oversee education, research, knowledge exchange and international policy and performance matters.

Information on Northumbria's Leadership and Governance arrangements is publicly available on the University website, and queries can be raised with the Secretary to the Board. Further transparency is provided via the University's Register of Interests for Governors and senior staff members.

The arrangements described in this statement apply to the period covered by this Annual Report and Financial Statements and up to the date of approval.

Trade Union Facility Time for the period 1 April 2020 to 31 March 2021

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and places a legislative requirement on relevant public sector employers, including HEIs in England and Scotland, to 'collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation'.

Facility time is defined in the Regulations as 'the provision of paid or unpaid time from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative'. We are required to publish a range of data on the amount and cost of facility time within our organisation, which is shown in the tables.

Total number of employees who were relevant union officials during the period 1 April 2020 to 31 March 2021

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
39	37.38

Employees who were relevant union officials employed during the period spent 0%, 1%-50%, 51%-99% or 100% of their working hours on facility time

Percentage of time	Number of Employees
0%	0
1-50%	38
51-99%	0
100%	1

The percentage of the total pay bill spent on facility time

Total cost of facility time	£175,927
Total pay bill	£162,544,999
Percentage of the total pay bill spent on facility time	0.11%

Hours spent by employees who were relevant union officials during the period on paid trade union activities as a percentage of total paid facility time hours

(Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100
18.78%

Statement of internal control

The Statement of Internal Control (SIC) has been produced in line with the OfS Regulatory Advice Note 9: accounts directions and is informed by the British Universities Finance Directors Group (BUFDG) guidance and best practice in other sectors. This Statement confirms that the Board understands and applies its responsibility for ensuring that a sound system of internal control and robust risk management arrangements are maintained, and that it reviews their effectiveness through Audit Committee. The Audit Committee is informed by a range of assurance sources, including internal and external audit as well as direct reports from University Executive on risk and control matters.

In line with OfS requirements and the CUC Higher Education Code of Governance (September 2020), the Board of Governors has received assurance that an effective system for managing risk is in place across the University. The Board and the University Executive set the tone for risk management across the University, through their respective oversight and ownership of strategic risks related to the full range of business, financial, operational and compliance activities. The University's Risk Management Framework can be found on the University's website. In line with this Framework, Strategic Risks, which are discussed in the Principal Uncertainties

section of this report, are reviewed periodically at Board and key Board Committees to ensure that the latest sector insight and agenda items inform the overall risk profile and understanding of the changing context that influence them and the related mitigations. All risks are anchored to related strategic objectives to ensure all efforts to manage risk are appropriately focused on achieving Northumbria's objectives. A suite of Risk Registers across the University allows risks to be identified, managed, and escalated as appropriate. Risks may also be identified through internal incident and near miss reporting arrangements and knowledge of incidents in the HE and other sectors.

Northumbria's approach to internal control is risk-based, and we acknowledge that internal control systems cannot eliminate all risks or control weaknesses or failures. Our business continuity arrangements and critical incident planning are therefore crucial elements of our approach to managing risks that may occur and to maintaining appropriate internal controls that respond to such situations. These arrangements have continued to be utilised and tested in real time during 2020/21, in how the University has responded to the Covid-19 pandemic and the cyber incident that occurred in August 2020.

The Board has received assurance, through reports from the University Executive and through its Audit Committee, on its internal control environment. The Head of Internal Audit opinion provides reasonable assurance that Northumbria University has adequate and effective arrangements to achieve management's objectives over risk management, control and governance, and economy, efficiency and effectiveness (value for money) arrangements.

The arrangements described apply to the period covered by the financial statements and the period up to the date of approval of the audited financial statements.

Statement of Board of Governors' responsibilities in respect of the annual report and financial statements

The Board of Governors is responsible for preparing the Annual Report and the financial statements in accordance with the requirements of the Office for Students' Terms and conditions of funding for higher education institutions and Research England's Terms and conditions of Research England grant and applicable law and regulations.

They are required to prepare group and parent University financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The terms and conditions of funding further require the financial statements to be prepared in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education, in accordance with the requirements of the Accounts Direction issued by the Office for Students. The Board of Governors is required to prepare financial statements which give a true and fair view of the state of affairs of the group and parent University and of their income and expenditure, gains and losses and changes in reserves for that period.

In preparing each of the group and parent University financial statements, the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent University or to cease operations, or have no realistic alternative but to do so.

The Board of Governors is responsible for keeping proper accounts and proper records in relation to the accounts. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably

open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Board of Governors is also responsible for ensuring that:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the Office for Students and Research England have been applied in accordance with the terms and conditions attached to them;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- securing the economical, efficient and effective management of the university's resources and expenditure.

The Board of Governors is responsible for the maintenance and integrity of the corporate and financial information included on the University's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KEY ACHIEVEMENTS – GLOBAL REACH & LOCAL IMPACT

Northumbria University is ranked 50th in the world for sustainability, according to the Times Higher Education Impact Rankings 2021, which assesses universities against the United Nations Sustainable Development Goals (SDGs).

Our sustainability achievements include: 4th most sustainable university in the UK (People & Planet, 2019); National Green Gown Award for 'Benefitting Society' (2019) and a 58% carbon reduction in the last 5 years.

Research at Northumbria, exploring how to achieve strategic workforce development, led to the development of a new approach, which has subsequently been implemented to upskill the North East and Cumbria's care workforce.

The Faculty of Health and Life Sciences is part of the regional NIHR Applied Research Collaboration looking at health inequalities. This is the first ARC award in the North East.

The IIP Programme supports innovation in Small or Medium Sized Enterprises (SMEs) with funding for collaboration with regional universities (Northumbria, Durham, Newcastle and Teesside) provided by the European Regional Development Fund (ERDF). This multidisciplinary programme offers experience of research, translation and commercialisation, harnessing science and innovation to tackle real-world challenges. There are now over 20 academic-SME IIP collaborations forming a community fostering collaboration and promoting innovation.

Northumbria and Gateshead Council have jointly sponsored training and mentoring to support graduate entrepreneurs to set up businesses in the North East.

Key member of Northern Accelerator Partnership driving spinout businesses from North East universities and developing a venture capital spinout investment fund.

Research resurrecting the memory of a speech delivered in Newcastle by Martin Luther King Jr. is being used to inform contemporary debates and support regional and national activities to improve public awareness around issues of social inclusion, identity and immigration.

Northumbria research provided critical evidence on the importance of providing food to disadvantaged children outside of school hours, leading to the UK governments development and, in Nov 2020, £20m expansion of the Holiday Activities and Food programme, reaching an estimated 11m children, including some of the most disadvantaged in the country.

Green chemistry research on biocatalysis enzymes has contributed to the commercial success of a leading UK-based company in this sector.

A Northumbria researcher has designed innovative new reinforcement techniques that can be fitted to historic masonry buildings to make them more resistant to earthquakes. Adopted by 3 companies, it has increased their turnover by EUR30m (2015-2020), and created 75 jobs.

International development research identified and recommended improvements in organisational practices for global south volunteers. As a result, a series of resolutions adopted by the United Nations (UN), and the Red Cross, and the Red Crescent Movement, have prioritised volunteer safety and well-being for the first time in their peace and development policy.

Research on human-centred cybersecurity developed practical approaches for reducing vulnerability to cyberattacks shaped UK Government awareness campaigns, including the national Cyber Aware campaign, and its approach to securing the 'Internet of Things', influencing new funding streams worth £32m.

Northumbria's Business Clinic has provided 350 North East SMEs with free of charge consultancy, leading to increased sales, new products, and new jobs for those SMEs.

Annual remuneration statement

This Annual Remuneration Statement 2020/21 complies with the Higher Education Senior Staff Remuneration Code, published by the CUC in June 2018, and the OfS Regulatory Advice 9: Accounts Direction. The Statement is the Appendix of a more detailed Annual Remuneration Report for the same period. Remuneration Committee's remit and membership for 2020/21 is provided on the University's website and in its Annual Report and Financial Statements 2020/21.

Approach to senior staff remuneration at Northumbria University

The CUC Higher Education Senior Staff Remuneration Code requires adherence to the following principles:

- I. a fair, appropriate and justifiable level of remuneration;
- II. procedural fairness; and
- III. transparency and accountability.

The Remuneration Committee aspires for the University's governance framework and arrangements for senior staff remuneration to be modern, progressive and at the forefront of best practice in the HE sector. The Vice-Chancellor and Chief Executive is not a member of the Committee and has no role in discussing or determining his own salary or wider remuneration.

The University's approach to senior staff remuneration is considered appropriate to support our University Strategy 2018-23, our financial sustainability and our culture and values. Remuneration is one of a number of influential factors in the recruitment, retention and recognition of a high quality and diverse workforce. Senior staff remuneration levels at Northumbria are set in the context of the significant achievements of the University. The success of the University reflects the contributions of all staff at Northumbria. Notwithstanding this, the leadership and direction of senior management have driven its achievements.

Assessing and determining the Vice-Chancellor and Chief Executive's base salary and total remuneration

As its evidence base for considering proposals around the Vice-Chancellor and Chief Executive's base pay on an annual basis, Remuneration Committee draws on a range of benchmarks and comparative year-on-year data including:

- publicly available data with commentary and context as published in each HEI's annual financial statements on the base salary and total remuneration (including other taxable and non-taxable benefits) of the heads of institution in the North East region based on three years of prior data;

- five-year data with commentary and context on the total remuneration packages of heads of institution at a number of University Alliance institutions¹;
- UCEA Remuneration Survey Data of all HEIs, and disaggregated data for HEIs based on turnover, and the median, mean, upper quartile and upper decile analysis of salary levels.
- Relevant CUC salary survey data.

The base salary for this role did not increase in August 2020. In August 2019 it increased by 1% which was lower than the 1.8% increase paid to staff covered by national pay bargaining. The previous three years the Vice-Chancellor's base salary increased by the same percentage as other staff. A breakdown of the Vice-Chancellor and Chief Executive's remuneration for 2020/2 (and 2019/20 for comparative purposes) is shown on the following page.

¹ Whilst Northumbria is no longer a member of the University Alliance, the comparator institutions have been identified due to an element of comparability in terms of size, complexity and turnover.

AUDITED INFORMATION

	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
Emoluments of the Vice-Chancellor and Chief Executive		
Salary	257	257
Payments in lieu of pension contributions*	26	26
Annual performance based reward scheme	-	17
Benefits in kind	2	2
	285	302
Pension contributions to USS*	17	16
	302	318

* In line with the University's alternative remuneration scheme, the Vice-Chancellor and Chief Executive partially opted out of the USS pension scheme in April 2017; from this date he has received payments from the University in lieu of the pension contributions the University is no longer making. These payments are made at a rate of 13% as opposed to a USS pension contribution rate of 21.1%.

During 2020/21 Remuneration Committee considered the pay ratios of the Vice-Chancellor and Chief Executive to the median salary of all employees calculated using UCEA data. The calculations for 2020/21 and 2019/20 are provided below

AUDITED INFORMATION

	Year Ended 31 July 2021	Year Ended 31 July 2020
Definition	Headline calculation	Ratio
Base salary ratio The Vice-Chancellor and Chief Executive's basic salary as a ratio of the median basic salary of all staff expressed as full-time equivalent.	£257k: highest base salary (Vice-Chancellor and Chief Executive) £40k: median staff base salary	6.4
Total remuneration ratio The Vice-Chancellor and Chief Executive's total remuneration as a ratio of the median total remuneration of all staff. The total remuneration includes basic salary, pension contributions, supplement in lieu of pension contributions, annual performance based reward and excludes benefits in kind.	£302k: total remuneration of the Vice-Chancellor and Chief Executive. £48k: Median staff base salary.	6.3

The Vice-Chancellor and Chief Executive's performance is reviewed annually by the Chair of the Board of Governors. The assessment is based on the achievement of annual objectives agreed at the start of the academic and financial year and which relate to the strategic leadership and management of the University. These objectives relate to the delivery of the Strategic Outcomes in the University Strategy 2018-23 which aim to reposition Northumbria in the top 30 of UK universities by 2023. The role-holder's performance is then

assessed by the Remuneration Committee under the terms of the annual performance-based incentive scheme and against the annual objectives set by the Chair.

Base pay of University Executive and the Senior Management Group (SMG)

On an annual basis Remuneration Committee reviews the salary levels of all members of the University Executive and Senior Management Group, on the recommendation of the Vice-Chancellor and Chief Executive to Remuneration

Committee taking into account a review of relevant sector and market pay data.

In light of the challenges presented by Covid, there has been no increase in the base salaries for this group for 2020/21.

The total base pay of the University Executive members, who are defined for reporting terms as the 'key management personnel²', is provided in the table below and provides a comparison between 2020/21 and 2019/20:

Key management personnel compensation (i.e. remuneration)	
AUDITED INFORMATION	
	Consolidated
	Year Ended 31 July 2021
	Year Ended 31 July 2020
	£'000
	£'000
	2,845
	3,098

² Defined as those persons having authority and responsibility for planning, directing and controlling the activities of the University. The Vice-Chancellor and Chief Executive has the overarching responsibility for maintaining and promoting the institution's efficiency, academic excellence and financial robustness. He is supported by the University Executive which has overall responsibility for delivery of the University Strategy. The University Executive advises the Vice-Chancellor and Chief Executive in his strategic, policy and executive management responsibilities, co-ordinating and integrating activities through individual portfolios of responsibility and the recommendations collectively made or supported by the Executive group.

The base salaries of higher paid staff are provided in the table below in £5k bands over £100k as required by the OfS Accounts Direction. Not all members of the University Executive and Senior

Management Group receive a base salary (or total remuneration) of £100k or more, hence the differences between the table below and total senior staff remuneration.

There are two (2020: two) members of staff who earn more than £100k and were not members of University Executive or the Senior Management Group at any point in the year.

AUDITED INFORMATION		
	2020/21	2019/20
	Staff FTE	Staff FTE
Remuneration of other higher paid staff		
£100,000 – £104,999	1	0
£105,000 – £109,999	1	1
£110,000 – £114,999	0	1
£115,000 – £119,999	3	1
£120,000 – £124,999	1	1
£125,000 – £129,999	5	6
£130,000 – £134,999	0	1
£135,000 – £139,999	2	2
£140,000 – £144,999	2	1
£145,000 – £149,999	0	1

The table above includes two members of staff, whose annual salary as at 31 July 2021 did not exceed £100k, however had been remunerated in excess of £100k over the course of the financial year.

Performance-based Reward Scheme

No performance-based payments will be made in respect of the academic year 2020/21.

Compensation for loss of office (AUDITED INFORMATION)

A total amount of £204k (2019/20: £549k) was charged to the statement of comprehensive income and expenditure in relation to 18 individuals (2019/20:37) as compensation for loss of office (excluding payments in lieu of notice).

External appointments and expenses

University Executive and Senior Management Group members must seek approval for any proposed external appointments and, along with all members of the Board of Governors, are required to disclose all relevant interests on the University's Register of Interests. The Vice-Chancellor and Chief Executive is currently a Non-Executive Director (NED) of the Board of the Student Loans Company (SLC) (appointed until January 2024). Remuneration for the role is £17k per annum, plus an additional £3k per

annum to serve as a member of the Audit and Remuneration Committees, amounting to total remuneration of £20k. The fee is paid to the Vice-Chancellor (to allow income tax and National Insurance contributions to be deducted) and, as agreed by Remuneration Committee, is subsequently transferred to the University's Access to Learning Fund (ALF), for student hardship.

Lucy Winskell is the Chair of the North East Local Enterprise Partnership and has taken a contract reduction to 0.8FTE to allow her to undertake this role, remuneration for which is £20k per year.

Senior staff, as with all staff, must comply with the University's Travel and Expenditure Policy which requires the reasonable, proportionate and accountable use of expenses, noting that these incurred solely for business purposes and are wholly separate from remuneration. All expenditure for the Vice-Chancellor and Chief Executive, University Executive and Senior Management Group is wholly and

exclusively for approved University business with the aim of enhancing the outcomes for students and staff. Services are procured in accordance with the University's Financial Regulations. Expenses incurred by the Vice-Chancellor and Chief Executive are subject to approval by the Chair of the Board of Governors, with all other expenses for University Executive and Senior Management Group members approved by the relevant line manager. The University discloses information as requested under Freedom of Information (Fol) in relation to senior staff expenses.



Other Remuneration Matters (AUDITED INFORMATION)

In accordance with the Articles of Government as approved by the Privy Council and informed by Charity Commission advice, the Board of Governors has the power to remunerate the Chair of the Board and Chairs of Committees for their services as Governors. Governors who are also employees or students of the University are not entitled to claim such remuneration. This is supported by a Governor/Trustee Remuneration Policy approved by the Board of Governors in November 2017 (and from which those Governors who were beneficiaries of it were exempt from voting)

During 2020/21 the following Governors were remunerated:

Dr Roberta Blackman-Woods, Pro-Chancellor and Chair of the Board of Governors - £25,000

Alasdair Corfield, Independent Governor and Chair of Audit Committee (to 5 February 2021) - £3,906

James Bromiley, Independent Governor and Chair of Audit Committee (from 6 February 2021) - £3,594

Craig Apsey, Independent Governor and Chair of Strategic Performance Committee - £7,500

Helen Fairfoul, Independent Governor and Chair of Employment and Finance Committee - £7,500

Peter Judge MBE, Senior Independent Governor and Chair of Remuneration Committee - £7,500

All payments made have been duly approved by the Board of Governors with remuneration offered to Governors/Trustees serving as Governors/Trustees authorised by the University's Articles of Government, as approved by the Privy Council and Charity Commission advice.

The Chancellor of the University receives no remuneration for the extensive ambassadorial role she plays on behalf of the University.

All Governors are entitled to reimbursement of expenses incurred directly in attending meetings or other direct Board and Committee-related events, provided that the claim is in accordance with the Financial Regulations, including the production of relevant receipts. In 2020/21, no Governors claimed expenses (2019/20: 9 Governors claimed a total of £5,671 in expenses).



Register of governors and professional advisors

The Chancellor

The Baroness Grey-Thompson DBE, DL.

The Board of Governors

The Governors are the Trustees of the University, and the Board is the Trustee Board of the University as an exempt charity under the terms of the Charities Act 2011.

Craig Apsey	(Independent Governor)
Dr Roberta Blackman-Woods	(Pro-Chancellor and Chair of the Board)
James Bromiley	(Independent Governor)
Jean Brown	(Academic Board Nominee)
Lorraine Brown	(Elected Professional Services Staff Representative)
Alasdair Corfield ³	(Independent Governor)
Helen Fairfoul	(Independent Governor)
Dr Stuart Fancey	(Independent Governor)
Sophie Haagensen	(Independent Governor)
Peter Judge MBE	(Senior Independent Governor)
Emmanuel Kabengele ⁴	(Nominated Students' Union Representative)
Daniel Monk ⁵	(Academic Board Nominee)
Sally Pelham	(Pro-Chancellor and Deputy Chair of the Board)
Nicholas Pope	(Independent Governor)
John Taylor	(Elected Academic Staff Representative)
Amy Rice-Thomson	(Independent Governor)
Claudia Shaw ⁶	(Nominated Students' Union Representative)
Ava Sjoberg ⁷	(Nominated Students' Union Representative)
Gareth Smith ⁸	(Nominated Students' Union Representative)
Helen Thorne MBE	(Independent Governor)
Professor Andrew Wathey CBE	(Vice-Chancellor and Chief Executive)
Dr Jeya Wilson	(Independent Governor)
Simon Yellowley	(Independent Governor)
Secretary to the Board of Governors:	Susan O'Donnell (to 31 March 2021) Georgina Bailes (from 1 April 2021)

3 Term of office ended on 5 February 2021

4 Term of office ended on 28 June 2021

5 Term of office commenced on 14 October 2020

6 Term of office ended on 28 June 2021

7 One year term of office commenced on 28 June 2021

8 One year term of office commenced on 28 June 2021

Membership of the Committees of the Board in 2019/20 (other than Academic Board) are provided below:

Audit Committee	Employment and Finance Committee
Alasdair Corfield (Chair until 5 February 2021; Co-opted Member from 6 February 2021)	Helen Fairfoul (Chair)
James Bromiley (Chair from 6 February 2021)	Craig Apsey
David Jennings (Co-opted Member until 5 February 2021)	Dr Roberta Blackman-Woods
Peter Judge MBE	Dr Stuart Fancey
Sally Pelham (from 6 October 2020)	Sally Pelham (until 6 October 2020)
Amy Rice-Thomson	Nicholas Pope
	Professor Andrew Wathey CBE

Nominations Committee	Remuneration Committee
Dr Roberta Blackman-Woods (Chair)	Peter Judge MBE (Chair)
Craig Apsey	Dr Roberta Blackman-Woods
James Bromiley (from 6 February 2021)	Helen Fairfoul
Alasdair Corfield (until 5 February 2021)	Graeme Hudson (Co-opted Member)
Helen Fairfoul	
Peter Judge MBE	
Professor Andrew Wathey CBE	

Strategic Performance Committee	
Craig Apsey (Chair)	
Graham Atkinson (Co-opted Member until 1 January 2021)	Sophie Haagensen
Dr Roberta Blackman-Woods	Helen Thorne MBE
Jean Brown	Professor Andrew Wathey CBE
Emmanuel Kabengele	Simon Yellowley

Register of interests

Entries in the Register of Governors' interests is reviewed annually, and as required for new appointments to the Board, and is maintained by the Secretary to the Board of Governors. This may be accessed on the Governance Services webpages of the University's website, or by contacting the address below:

Secretary to the Board of Governors

c/o Vice-Chancellor's Office, Sutherland Building,
College Street, Newcastle upon Tyne NE1 8ST
Telephone +44 (0)191 227 4222

External auditor KPMG LLP

1 Sovereign Square,
Sovereign Street
Leeds LS1 4DA

Internal auditor Ernst and Young LLP (EY)

Citygate,
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers

Barclays Bank plc

49-51 Northumberland Street
Newcastle upon Tyne NE1 7AF

Bank of Scotland

Corporate Banking,
3rd Floor, Earl Grey House
75 Grey Street,
Newcastle upon Tyne
NE1 6EF

Handelsbanken

Earl Grey House
75 Grey Street,
Newcastle upon Tyne
NE1 6EF

HSBC

Floor 3, Central Square South
Orchard Street,
Newcastle upon Tyne
NE1 3AZ

Nationwide Building Society

Kings Park Road, Moulton Park
Northampton NN3 6NW

Santander UK plc

Level 9 Baltic Place,
South Shore Road
Gateshead NE8 3AE

ABN AMRO Bank N.V.

Foppingadreef, 22 Amsterdam,
BO-number 3069.63

Independent auditor's report to the Board of Governors of Northumbria University

Opinion

We have audited the financial statements of Northumbria University ("the University") for the year ended 31 July 2021 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated Statement of Changes in Reserves, University Statement of Changes in Reserves, Consolidated and University Balance Sheets, Consolidated and University Statement of Cash Flows and related notes, including the Statement of Principal accounting policies on page 42.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2021, and of the Group's and the University's income and expenditure, gains and losses and changes in reserves, and of the Group's cash flows, for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Board of Governors has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board of Governors conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the Group and University's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board of Governors use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board of Governors assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the University's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the University will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included.

- Enquiring of governors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, and the public interest disclosure "whistleblowing" policy as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the correct period.

We did not identify any additional fraud risks. We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, year end journals support LGPS balances, unusual

combinations between revenue and balance sheet codes and tuition fee journals posted to unusual accounts.

- We sample tested cash income for courses that spanned the year end of 31 July 2021 to supporting documentation to test that revenue had been recorded in the correct period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the management (as required by auditing standards) and discussed with the management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, taxation legislation, pensions legislation and specific disclosures required by higher education legislation and regulation / post-16 education and skills legislation and regulation, charities legislation and related legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: compliance with Higher Education regulatory requirements of the Office for Students recognising the regulated nature of the University's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the governors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Board of Governors is responsible for the other information, which comprises the Vice-Chancellor and Chief Executive's Forward, the Chair's Introduction, the University Achievements at a Glance, the Vision Strategy and Impact, the Operating and Financial Review, the Principal uncertainties and how we respond to them, the Public Benefit Role, the Statement of Corporate Governance and the Statement of Internal Control, the Annual Remuneration Statement and Register of Governors and Professional Advisers. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Vice-Chancellor and Chief Executive's Forward, the Chair's Introduction, the University Achievements at a Glance, the Vision Strategy and Impact, the Operating and Financial Review, the Principal uncertainties and how we respond to them, the Public Benefit Role, the Statement of Corporate Governance and the Statement of Internal Control, the Annual Remuneration Statement and Register of Governors and Professional Advisers, is consistent with the financial statements.

Board of Governors responsibilities

As explained more fully in their statement set out on page 24, the Board of Governors is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements..

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.



Clare Partridge
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

22 December 2021

Report on other legal and regulatory requirements

We are required to report on the following matters by the Accounts Direction dated 25 October 2019 issued by the Office for Students ('the Accounts Direction').

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- income has been applied in accordance with the University's Articles of Government for post 1992 institutions);
- funds provided by the Office for Students, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have been applied in accordance with the relevant terms and conditions; and
- the financial statements meet the requirements of the Accounts Direction dated 25 October 2019 issued by the Office for Students.

Matters on which we are required to report by exception

We are required by the Accounts Direction to report to you where the University has an access and participation plan that has been approved by the Office for Students' director of fair access and participation and the results of our audit work indicate that the Group's and the University's

expenditure on access and participation activities for the financial year disclosed in Note 9 has been materially misstated.

We are also required by the Accounts Direction to report to you where the results of our audit work indicate that the Group's and the University's grant and fee income, as disclosed in note 2 to the financial statements has been materially misstated.

We have nothing to report in these respects.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Board of Governors and in accordance with paragraph 13(2) of the University's Articles of Government and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the Board of Governors for our audit work, for this report, or for the opinions we have formed.

Financial statements

CONSOLIDATED AND UNIVERSITY STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE YEAR ENDED 31 JULY 2021

	Note	Year Ended 31 July 2021		Year Ended 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	1	239,859	220,989	216,599	202,054
Funding body grants	2	24,210	24,210	22,120	22,120
Research grants and contracts	4	12,335	12,335	9,970	9,970
Other income	5	27,610	28,093	28,195	29,770
Investment income	6	120	123	294	296
Total income		304,134	285,750	277,178	264,210
Expenditure					
Staff costs					
Before exceptional pension costs	7	182,612	182,320	166,502	166,118
Exceptional pension credit	7	(543)	(543)	(2,562)	(2,562)
Total staff costs		182,069	181,777	163,940	163,556
Other operating expenses		92,845	74,418	80,479	68,667
Depreciation and amortisation	15,16	20,426	20,426	20,847	20,847
Interest and other finance costs	10	6,292	6,292	6,033	6,033
Total expenditure		301,632	282,913	271,299	259,103
Surplus / before tax		2,502	2,837	5,879	5,107
Taxation	11	90	172	371	116
Surplus for the year		2,412	2,665	5,508	4,991
Actuarial gain/(loss) in respect of pensions	27	55,372	55,372	(106,733)	(106,733)
Change in fair value of hedging financial instruments	28	4,145	4,145	(1,345)	(1,345)
Exchange differences on translation of foreign operations		104	-	(23)	-
Total comprehensive income/ (expense) for the year		62,033	62,182	(102,593)	(103,087)
Represented by					
Unrestricted comprehensive expense for the year		62,033	62,182	(102,593)	(103,087)
Surplus / (deficit) for the year attributable to:					
Non-controlling interest		158		1,090	
University		2,254		4,418	
Total comprehensive (expense) / income for the year attributable to:					
Non-controlling interest		158		1,090	
University		61,875		(103,683)	

All items of income and expenditure relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2021

		Income and expenditure account - unrestricted	Hedging reserve	Non-controlling interest	Total
	Note	£'000	£'000	£'000	£'000
Balance at 1 August 2019		142,874	(20,328)	-	122,546
Surplus from the statement of comprehensive income and expenditure		4,418	-	1,090	5,508
Actuarial loss on pension schemes	27	(106,733)	-	-	(106,733)
Change in fair value of hedging financial instruments	28	-	(1,345)	-	(1,345)
Exchange differences on translation of foreign operations		(23)	-	-	(23)
Total comprehensive expense for the year		(102,338)	(1,345)	1,090	(102,593)
Balance at 1 August 2020		40,536	(21,673)	1,090	19,953
Surplus from the statement of comprehensive income and expenditure		2,254	-	158	2,412
Actuarial losses on pension schemes	27	55,372	-	-	55,372
Change in fair value of hedging financial instruments	28	-	4,145	-	4,145
Exchange differences on translation of foreign operations		104	-	-	104
Total comprehensive expense for the year		57,730	4,145	158	62,033
Balance at 31 July 2021		98,267	(17,528)	1,248	81,986

UNIVERSITY STATEMENT OF CHANGES IN RESERVES YEAR ENDED 31 JULY 2021

		Income and expenditure account - unrestricted	Hedging reserve	Total
	Note	£'000	£'000	£'000
Balance at 1 August 2019		143,871	(20,328)	123,543
Surplus from the statement of comprehensive income and expenditure		4,991	-	4,991
Actuarial loss on pension schemes	27	(106,733)	-	(106,733)
Change in fair value of hedging financial instruments	28	-	(1,345)	(1,345)
Total comprehensive expense for the year		(101,742)	(1,345)	(103,087)
Balance at 1 August 2020		42,129	(21,673)	20,456
Surplus from the statement of comprehensive income and expenditure		2,665	-	2,665
Actuarial loss on pension schemes	27	55,372	-	55,372
Change in fair value of hedging financial instruments	28	-	4,145	4,145
Total comprehensive expense for the year		58,037	4,145	62,182
Balance at 31 July 2021		100,166	(17,528)	82,638

CONSOLIDATED AND UNIVERSITY BALANCE SHEETS AS AT 31 JULY 2021

	Note	As at 31 July 2021		As at 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
NON-CURRENT ASSETS					
Investments	12,13 14	160	161	-	1
Intangible assets	15	4,037	4,037	5,990	5,990
Tangible fixed assets	16	310,537	310,537	322,361	322,361
		314,734	314,735	328,351	328,352
CURRENT ASSETS					
Stocks		6	6	6	6
Trade and other receivables	17	47,056	29,993	31,032	21,790
Investments	18	14,000	14,000	-	-
Cash and cash equivalents	23	86,040	85,378	66,942	65,787
		147,102	129,376	97,980	87,583
Creditors - amounts falling due within one year	20	(84,042)	(65,666)	(66,714)	(55,815)
NET CURRENT ASSETS		63,060	63,710	31,266	31,768
TOTAL ASSETS LESS CURRENT LIABILITIES					
Creditors - amounts falling due after more than one year	21	(67,953)	(67,953)	(75,398)	(75,398)
Provisions					
Pension provisions	22	(225,659)	(225,659)	(264,529)	(264,529)
Other provisions	22	(2,195)	(2,195)	(2,388)	(2,388)
TOTAL NET ASSETS		81,986	82,638	19,953	20,456
Unrestricted reserves					
Income and expenditure reserve - unrestricted		98,267	100,166	40,536	42,129
Hedging reserve	28	(17,528)	(17,528)	(21,673)	(21,673)
Non-controlling interest		1,248	-	1,090	-
		81,986	82,638	19,953	20,456

The financial statements on pages 38-71 were approved by the Board of Governors on 29 November 2021 and signed on their behalf by:

Roberta C. Blackman-Woods

Dr Roberta Blackman-Woods
Chair of the Board of Governors

A. B. Wathey

Professor Andrew Wathey
Vice-Chancellor and Chief Executive

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CASH FLOWS YEAR ENDED 31 July 2021

	Note	As at 31 July 2021		As at 31 July 2020	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Cashflows from operating activities					
Surplus for the year		2,412	2,665	5,508	4,991
Adjustments for non-cash items					
Depreciation of fixed assets	16	16,970	16,970	17,475	17,475
Amortisation of intangible assets	15	3,456	3,456	3,372	3,372
Pension adjustments	27	13,650	13,650	6,015	6,015
Decrease in stock		-	-	-	-
(Increase) in debtors	17	(16,050)	(8,228)	(12,918)	(5,080)
Increase in creditors		20,473	12,993	11,040	2,637
(Increase) in pension provisions	22	(785)	(785)	(3,011)	(3,011)
(Decrease)/increase in other provisions		(193)	(193)	848	848
Investment income	6	(120)	(123)	(294)	(296)
Interest payable	10	6,292	6,292	6,033	6,033
Capital grant income		(3,218)	(3,218)	(2,551)	(2,551)
		42,887	43,479	31,517	30,433
Cashflows from investing activities					
Capital grants receipts		3,023	3,023	2,438	2,438
Investment income receipts		146	150	311	311
Payments made to acquire intangible assets		(1,495)	(1,495)	(1,249)	(1,249)
Payments made to acquire tangible fixed assets		(5,375)	(5,375)	(8,889)	(8,889)
Investment in associate		(161)	(161)	-	-
Cash placed on deposit	18	(14,000)	(14,000)	5,003	5,003
		(17,862)	(17,858)	(2,386)	(2,386)
Cashflows from financing activities					
Interest paid		(2,731)	(2,731)	(2,901)	(2,901)
Repayments of amounts borrowed	21	(3,300)	(3,300)	(3,300)	(3,300)
		(6,031)	(6,031)	(6,201)	(6,201)
Increase in cash and cash equivalents in the year					
Cash and cash equivalents at the beginning of the year	23	66,942	65,787	44,012	43,941
Exchange differences on foreign translation		104	-	-	-
Cash and cash equivalents at the end of the year	23	86,040	85,378	66,942	65,787

Statement of principal accounting policies

In accordance with FRS 102 'Accounting Policies', these accounting policies have been reviewed by the Board of Governors and are considered to be appropriate for the University's activities.

Basis of preparation

The Consolidated and University financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition). They have also been prepared in accordance with the 'carried forward' powers and duties of previous legislation (Further and Higher Education Act 1992 and the Higher Education Act 2004) and the new powers of the Higher Education and Research Act 2017 during the transition period to 31 July 2019, the Royal Charter, the Accounts Direction issued by the Office for Students (OfS), the Terms and conditions of funding for higher education institutions issued by the Office for Students and the Terms and conditions of Research England Grant.

The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable UK laws and accounting standards.

Going concern

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Operating and Financial review which forms part of the reporting to the Board of Governors. The Operating and Financial review also describes the financial position of the Institution, its cash flows, liquidity position and borrowing facilities.

The financial statements have been prepared on a going concern basis which the Board of Governors consider to be appropriate for the following reasons.

The Board of Governors has prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements (the going concern period), which indicate that, taking account of severe but plausible downsides, including the impact of the Covid-19 pandemic, the Group and parent University will have sufficient funds to meet their liabilities as they fall due for that period.

In reaching this conclusion, the Board of Governors has considered the following factors:

- A variety of going concern scenarios have been prepared including a severe but plausible downside scenario which models a 25% reduction to international tuition fees, accommodation and Transnational educational income. Another scenario which has modelled further government lockdowns in 2021/2022 has also been considered.
- The bank loan covenant remains key as, if the covenant was to be breached, the lender could theoretically demand immediate repayment of the loan. Given the outstanding loan balance at 31 July 2021 was £53.7m, this would be material to the University's financial position.

- In each of the going concern scenarios modelled, the University is forecasted to have sufficient cash headroom available before the University's key bank loan covenant was at risk and therefore the going concern assumption remains appropriate.

The Board of Governors believe the University has sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board of Governors is confident that the University will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries, together with the share of the results of material associates and joint ventures. The financial information of the subsidiaries, associates and joint ventures is prepared as of the same reporting date and consolidated using consistent accounting policies. Intercompany balances and transactions, including unrealised profits arising from intercompany transactions are eliminated in full.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income and Expenditure from the date of acquisition or up to the date of disposal.

Subsidiaries are entities that meet the definition of control, as defined by FRS 102 section 9. Joint ventures are entities over which the University has joint control, established by contractual agreement. Investments in associates and joint ventures are accounted for using the equity method.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced by a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Education contracts are recognised when the University is entitled to the income, which is the period in which students are studying, or where relevant, when performance conditions have been met.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Government grants including funding body block grants, research grants from government sources and other grants and donations from non-government sources (including research grants from non-government sources) are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Consolidated Statement of Comprehensive Income and Expenditure in line with such conditions being met.

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the Income. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded in income in the year in which it arises as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

Donations with no restrictions are recorded within the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

Capital grants are recorded in income when the University is entitled to the income subject to any performance related conditions being met.

Investment income

Investment income is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Comprehensive Income and Expenditure in the period in which they are incurred.

Exceptional items

Exceptional items, being non-recurring items that are material by size and/or by nature, are presented within their relevant category in the Statement of Comprehensive Income and Expenditure but disclosed on a separate line. Events which may give rise to exceptional items include, but are not limited to, significant restructuring costs, significant impairments or pension movements linked to past service costs.

Accounting for retirement benefits

The four principal pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS), the Tyne and Wear Pension Fund (TWPF) and the Universities and Colleges Retirement Savings Scheme (UCRSS). Of these schemes, TPS, USS and TWPF are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). Each fund is valued every three years by professionally qualified independent actuaries.

Under the definitions set out in FRS 102 (28.11), the TPS and USS are multi-employer pension schemes, given they are schemes for entities not under common control and represent industry-wide schemes.

The University is unable to identify its share of the underlying assets and liabilities of the USS plan. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis - these contributions, along with those made by employers, are credited to the Exchequer and hence there are no underlying assets and liabilities and accordingly, the University has accounted for its contributions to the scheme as if it were a defined contribution scheme.

The University is able to identify its shares of assets and liabilities of the TWPF Local Government Pension Scheme (LGPS) and accordingly reports it as a defined benefit scheme.

UCRSS is a defined contribution scheme.

Defined contribution scheme

A defined contribution scheme is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Comprehensive Income and Expenditure in the periods during which services are rendered by employees.

The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in Consolidated Statement of Comprehensive Income and Expenditure in accordance with section 28 of FRS 102. The discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements are also recognised as a provision..

Defined benefit scheme

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The only scheme which the University accounts for as a defined benefit scheme is TWPF. Under defined benefit plans, the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University.

The net liability is recognised in the balance sheet in respect of each scheme and is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The University recognises a liability for its obligations under defined benefit plans net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future, through refunds from the plan or settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Annually the University engages independent actuaries to calculate the obligation for each scheme. The present value is determined by discounting the estimated future payments at a discount rate based on market yields on high quality corporate bonds denominated in sterling with terms approximating to the estimated period of the future payments. The fair value of a scheme's assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Institution's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as actuarial gains and losses.

The cost of the defined benefit plan, recognised in expenditure as staff costs, except where included in the cost of an asset, comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments, and settlements.

The net interest cost is calculated by applying the discount rate to the net liability. This cost is recognised in expenditure as a finance cost.

Employment benefits

Short term employee benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as an expense in the year they were earned.

Annual performance-based incentive scheme

The University operates an annual performance based-incentive scheme for the University Executive and Service Directors including the Vice-Chancellor and Chief Executive. An expense is recognised in the Statement of Comprehensive Income and Expenditure when the University has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of University entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income and Expenditure. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations are translated to the group's presentational currency, Sterling, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Investments

Non-current investments, including investments in subsidiaries, jointly controlled entities and associates, are held on the University Balance Sheet at amortised cost less impairment.

Current asset investments are held at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure.

Asset capitalisation policy

Assets are capitalised where they are capable of being used for a period that exceeds one year and which:

- Individually have a cost equal to or greater than £10,000; or
- Collectively have a cost equal to or greater than £10,000 where the assets are functionally interdependent or are purchased together and intended to be used as a group under common management control; or
- Irrespective of their individual cost, form part of the initial equipping of a new building.

Tangible fixed assets

Cost (or deemed cost)

Freehold land and buildings and long leasehold buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses. Costs incurred after initial purchase or construction in relation to freehold land and buildings and long leasehold buildings are capitalised to the extent that they increase the expected future benefits to the University.

Short leasehold improvements and equipment, including motor vehicles, computers, IT infrastructure and furniture are stated at cost less accumulated depreciation and accumulated impairment losses.

Assets under construction are stated at cost

Depreciation

Freehold Land is not depreciated as it is considered to have an indefinite useful life. Depreciation on other assets is calculated using the straight line method, to depreciate assets to their residual value over their estimated useful lives, as follows:

Freehold buildings	over period up to 50 years
Freehold refurbishments	over 10 years
Leasehold buildings	over the life of the lease up to 50 years
Leasehold refurbishments	over the remaining life of the lease up to a maximum of 10 years
Computers and IT infrastructure	3 years
Motor vehicles	4 years
All other equipment	5 years

Where an item of equipment or land and buildings comprise two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement of components is capitalised as incurred.

No depreciation is charged on assets under construction until they are available for use.

Depreciation methods, useful lives and residual values are reviewed annually.

Impairment

A review for impairment of tangible fixed assets is carried out if events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

Intangible assets

Software and related costs (excluding any feasibility costs) are held at cost less accumulated depreciation and accumulated impairment losses. Internally generated intangible assets are capitalised once the development criteria established in FRS 102 section 18 have been met. Where tangible and intangible elements of an asset are incapable of separation, an assessment is made to determine which element is more significant and based on this the asset is either treated as a tangible or intangible asset.

Amortisation is calculated using the straight line method, to amortise intangible assets to their residual value over their estimated useful lives, deemed to be between 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed annually.

Assets held for sale

Assets held for sale are assets or groups of assets intended to be disposed of prior to their expected date of retirement. The asset continues to be depreciated but the asset's remaining life or residual value is amended to reflect its expected disposal date and expected value at this date. Such assets remain within the asset category within fixed/intangible assets.

Heritage assets

The University owns a number of works of art and artefacts which have been donated to the University. These amounts have not been capitalised as the University does not believe that they would have a material impact on the financial statements.

Stock

Stock is held at the lower of cost and net realisable value.

Cash and cash equivalents

Cash includes cash in hand, deposits with a maturity period of 3 months or less and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- the University has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and

- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Taxation

The University is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs.

The University's subsidiaries are liable to corporation tax in the same way as any other commercial organisation.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

Derivatives

Derivatives are held on the Balance Sheet at fair value. The University has adopted and complied with the requirements of hedge accounting and as a result movements in fair value of hedging financial instruments are recorded within Other Comprehensive Income, through the hedging reserve.

Reserves

Reserves are allocated between restricted and unrestricted reserves.

Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund to perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Unrestricted reserves include the unrestricted comprehensive income reserve, the hedging reserve and the unrestricted non-controlling interest's share of reserves. The hedging reserve records the fair value movements of the hedged financial instrument. The non-controlling interest's share of reserves represents any share of comprehensive income or expenditure accountable to the non-controlling interest.

Critical accounting judgements and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expenditure. Estimates and judgements are periodically evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Details of the University's critical accounting judgements and estimates are described below.

Estimates for the accounting for employee benefits

FRS 102 requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets for certain of the University's defined benefit plans. These are mainly actuarial assumptions such as discount rate, mortality rates and expected inflation rates. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2021 are included in note 27.

Fixed asset depreciation, intangible asset amortisation and useful economic life

The assessment of the appropriate useful economic life of an asset or class of assets requires both judgement and estimation. The useful economic lives that have been assigned to the University's fixed assets, and therefore the depreciation and amortisation rates applicable, are considered to be appropriate based upon the expected lives and future plans for these assets.

Bad debt provision

FRS 102 requires debtors to be assessed for impairment at each balance sheet date, and a provision is required if the expected cash flow from debtors is less than the carrying amount on the balance sheet. A bad debt provision is recognised against aged or doubtful debt.

Notes to the financial statements

For the Year Ended 31 July 2021

1. TUITION FEES AND EDUCATION CONTRACTS	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Full time home and EU students	175,913	174,683	161,355	159,696
Part time home and EU students	7,608	7,163	5,270	5,270
International students	50,589	33,394	42,061	29,308
Short courses	4,408	4,408	4,494	4,361
Nurse education training	205	205	2,579	2,579
Other fees	1,136	1,136	840	840
	239,859	220,989	216,599	202,054

2. FUNDING BODY GRANTS	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Recurrent grants				
Office for Students	11,483	11,483	9,869	9,869
Research England	7,787	7,787	7,747	7,747
National College for Teaching and Leadership	651	651	725	725
Capital grants	3,218	3,218	2,551	2,551
Specific grants				
Higher Education Innovation Fund	1,071	1,071	631	631
Other	-	-	597	597
	24,210	24,210	22,120	22,120

3. GRANT AND FEE INCOME	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Grant income from the Office for Students	13,936	13,936	10,975	10,975
Grant income from other bodies	10,274	10,274	11,145	11,145
Fee income for taught awards	232,834	213,964	210,435	195,507
Fee income for research awards	1,173	1,173	1,050	1,050
Fee income for non-qualifying courses	5,852	5,852	5,632	5,497
	264,069	245,199	239,237	224,174

4. RESEARCH GRANTS AND CONTRACTS

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Research councils	3,827	3,827	3,572	3,572
Research charities	1,708	1,708	1,165	1,165
Government (UK and overseas)	3,477	3,477	3,139	3,139
Industry and commerce	468	468	1,002	1,002
Other	2,855	2,855	1,092	1,092
	12,335	12,335	9,970	9,970

The University acts as the lead partner in a number of research grants and contracts. The gross income value of these grants and contracts was £15,302k (2020: £12,118k). In accordance with FRS 102, the University has only recognised income and costs to the extent that the University acts as the principal in the contracts.

5. OTHER INCOME

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Residences, catering and conferences	8,279	8,279	9,708	9,708
Collaborative ventures	9,325	10,208	8,753	9,251
Other academic income	1,256	1,256	1,748	1,748
Rent and rates	1,295	1,380	1,373	1,458
Sports membership	194	194	692	692
IT helpline	1,418	1,418	1,016	1,016
Coronavirus Job Retention Scheme	318	318	826	484
Other	5,525	5,040	4,079	5,413
	27,610	28,093	28,195	29,770

6. INVESTMENT INCOME

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Investment income on short term deposits	120	123	294	296

7. STAFF COSTS

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Salaries	130,175	129,981	123,393	123,100
Social security costs	13,840	13,770	13,005	12,947
Other pension costs (note 27)	38,597	38,568	30,104	30,071
	182,612	182,320	166,502	166,118
Exceptional pension (credit) / costs (note 27)	(543)	(543)	(2,562)	(2,562)
	182,069	181,777	163,940	163,556

The exceptional pension (credit) / charges for the year were:

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
USS	(543)	(543)	(2,562)	(2,562)
LGPS past service cost	-	-	-	-
	(543)	(543)	(2,562)	(2,562)

USS

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2021 deficit recovery liability reflects this plan. This led to an exceptional credit of £543k in the Statement of Comprehensive Income and Expenditure.

	Consolidated	
	2021	2020
	Staff FTE	Staff FTE
Average staff numbers by major category (expressed as Full Time Equivalents (FTE))		
Academic	1,506	1,378
Academic support	168	162
Student support	408	385
Estates and accommodation	252	254
Administration and central services	559	557
	2,893	2,736

Other disclosures required by the OfS Accounts Direction are included within the Annual Remuneration Statement on pages 27-32 of these financial statements with required disclosures clearly marked as "audited information" in that statement.

8. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Academic faculties	125,058	120,906	116,368	114,629
Academic services	40,976	39,293	45,921	42,679
Administration	64,331	57,738	55,790	50,529
Premises	41,407	35,116	29,237	27,283
Residences, catering and conferences	2,667	2,667	9,098	9,098
Research grants and contracts	10,467	10,467	8,258	8,258
Other expenses	16,726	16,726	6,627	6,627
	301,632	282,913	271,299	259,103

Other operating expenses include

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
External auditor's remuneration in respect of audit services for the current year	94	74	107	76
External auditor's remuneration in respect of other assurance services	20	17	13	11
Operating lease rentals:				
Land and buildings	2,754	2,754	2,865	2,865
Plant and equipment	430	430	639	639

9. ACCESS & PARTICIPATION EXPENDITURE	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated			
	£'000	£'000	£'000	£'000
Access investment	3,150		3,202	
Financial support provided to students	1,883		2,305	
Support for disabled students	848		755	
Research and evaluation of access and participation activities	48		-	
	5,929		6,262	

The above figures include staffing costs of £2,389k (2020: £2,487k), which are included within the overall staff costs figure in note 7. The Access & Participation plan can be viewed here: www.northumbria.ac.uk/access-and-participation-plan

10. INTEREST AND OTHER FINANCE COSTS

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Interest on bank and other loans	2,674	2,674	2,859	2,859
Interest on LGPS defined benefit scheme	3,530	3,530	2,970	2,970
Interest on USS deficit recovery plan	45	45	142	142
Interest on enhanced pension scheme	43	43	62	62
	6,292	6,292	6,033	6,033

11. TAXATION**Recognised in the statement of comprehensive income**

Current tax

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Current tax expense	(82)	-	255	-
Foreign tax	172	172	116	116
	90	172	371	116

Factors affecting the tax charge

The tax assessed is lower than the standard rate of corporation tax in the UK. The difference is explained as follows:

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Surplus / (deficit) before taxation	2,502	2,837	5,879	5,107
UK corporation tax at 19% (2020: 19%)	475	539	1,117	970
Effect of:				
Surplus / (deficit) falling within charitable exemption	(328)	(310)	(637)	(745)
Effects of foreign tax rates	(57)	(57)	(109)	(109)
	90	172	371	116

12. INVESTMENTS IN SUBSIDIARIES

The following companies are subsidiaries of the University:

Company	Country of registration	Activity	Issued share capital	As at 31	As at 31
				July 2021	July 2020
				£	£
University of Northumbria at Newcastle Developments Limited	England & Wales	Provision of Education Services	2 £1 Ordinary Shares (100% holding)	2	2
Northumbria International Limited	England & Wales	Support Services for Overseas Activities	1 £1 Ordinary Share (100% holding)	1	1
Northumbria University Nursery Limited	England & Wales	Provision of Nursery Services	1 £1 Ordinary Share (100% holding)	1	1
Northumbria University Services Limited	England & Wales	Provision of Support Staff to Northumbria University	1 £1 Ordinary Share (100% holding)	1	1
Northumbria London Campus Limited	England & Wales	Provision of Education Services at London Campus	501 £1 Ordinary Shares (50.1% holding)	501	501
Northumbria University Amsterdam B.V.	Netherlands	Provision of Education Services at Amsterdam Campus	1,000 €1 Ordinary Shares (100% holding)	890	890
				1,396	1,396

There have been no changes to investments over the year.

The results of these subsidiary entities are included in these consolidated statements.

The registered address for all subsidiaries registered in England and Wales is:

Pandon Building, Camden Street, NE2 1XE

The registered address for Northumbria University Amsterdam B.V. is:

Herikerbergweg 88; 1101 CM, Amsterdam; The Netherlands

13. INVESTMENTS IN JOINT VENTURES

Company	Country of registration	Activity	Issued share capital	£
BIM Academy (Enterprises) Limited	England & Wales	Joint Venture to supply 3D modelling to building industry	50 £1 Ordinary Shares (50.0% holding)	50
				50

The group's share of this joint venture's results have not been included in the financial statements on grounds of materiality. A dividend of £50k was received from BIM Academy (Enterprises) Limited on 18 June 2021, this has been included within investment income in the University's Statement of Comprehensive Income and Expenditure.

14. INVESTMENTS IN ASSOCIATES

Company	Country of registration	Activity	Issued share capital	£
Pulmobiomed Limited	England & Wales	Development and Commercialisation of Intellectual Property Rights	3,400 £0.01 Ordinary Shares (34.0% holding)	34
			160,000,000 £0.01 Convertible Loan Notes	160,000
				160,034

On 2 December 2020 the University invested in Pulmobiomed Limited, a spin-out company, through the purchase of 34% of the ordinary shares. In addition, a loan of £160k has been issued to Pulmobiomed Limited, in the form of a convertible loan note which is included within Investments in associates.

15. INTANGIBLE ASSETS

	Consolidated and University		
	Software £'000	Software assets under development £'000	Total £'000
Cost			
At 1 August 2020	17,338	116	17,454
Additions in the year	-	1,503	1,503
Transfer	418	(418)	-
At 31 July 2021	17,756	1,201	18,957
Amortisation			
At 1 August 2020	11,464	-	11,464
Charge for the year	3,456	-	3,456
At 31 July 2021	14,920	-	14,920
Net book value at 31 July 2021	2,836	1,202	4,037
Net book value at 31 July 2020	5,874	116	5,990

16. TANGIBLE FIXED ASSETS

	Consolidated and University					Total £'000
	Freehold land and buildings £'000	Long leasehold buildings £'000	Short leasehold improvements £'000	Equipment £'000	Assets under construction £'000	
Cost						
At 1 August 2020	379,921	1,576	547	95,027	765	477,836
Additions	25			3,850	1,271	5,146
Transfers	587			83	(670)	-
At 31 July 2021	380,533	1,576	547	98,960	1,366	482,982
Depreciation						
At 1 August 2020	70,483	401	244	84,347	-	155,475
Charge for the year	10,989	58	45	5,878	-	16,970
At 31 July 2021	81,472	459	289	90,225		172,445
Net book value at 31 July 2021	299,061	1,117	258	8,735	1,366	310,537
Net book value at 31 July 2020	309,438	1,175	303	10,680	765	322,361

17. TRADE AND OTHER RECEIVABLES

	As at 31 July 2021		As at 31 July 2020	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year				
Trade receivables	18,488	10,202	17,462	4,934
Amounts due from subsidiary undertakings	-	3,769	-	3,564
Prepayments and accrued income	15,225	15,165	13,373	13,096
Other receivables	13,343	857	197	196
	47,056	29,993	31,032	21,790

18. CURRENT INVESTMENTS

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Short term cash deposits	14,000	14,000	-	-

Deposits are held with banks licensed by the Financial Conduct Authority. The interest rates for these deposits are variable and the term is fixed for less than one year at the balance sheet date.

At 31 July 2021 the weighted average interest rate of these fixed rate deposits was 0.30% (2020: nil) per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 95 days (2020: nil). The fair value of these deposits was not materially different from the book value.

19. CONTINGENT ASSET

In August 2020 the University suffered a cyber incident, the University had cyber insurance in place to cover against losses suffered and as such a claim has been made. The University is confident that a settlement will be reached, however, at the balance sheet date the amount remains unquantifiable.

20. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Secured loans	3,300	3,300	3,300	3,300
Unsecured loans	106	106	106	106
Trade payables	5,972	5,936	5,469	4,621
Amounts owed to subsidiaries	-	803	-	580
Social security and other taxes payable	3,472	3,472	3,319	3,308
Accruals and deferred income	65,442	51,375	51,375	40,755
Other payables	5,750	674	494	494
	84,042	65,666	64,063	53,164

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	As at 31 July 2020		As at 31 July 2019	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Donations	86	86	85	85
Research grants received on account	9,444	9,444	7,125	7,125
Grant income	215	215	582	582
Other income	34,250	22,461	27,008	17,544
	43,995	32,206	34,800	25,336

21. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Fixed rate hedging instruments	17,528	17,528	21,673	21,673
Secured loans	50,425	50,425	53,725	53,725
	67,953	67,953	75,398	75,398

The fixed rate hedging instrument has been reclassified to Creditors – amounts falling due after one year. The prior year numbers have also been reclassified for comparability.

Analysis of secured and unsecured loans

	As at 31 July 2021		As at 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Due within one year or on demand	37,225	3,406	3,406	3,406
Due between one and two years	3,300	3,300	3,300	3,300
Due between two and five years	9,900	9,900	9,900	9,900
Due in five years or more	37,225	37,225	40,525	40,525
Due after more than one year	50,425	50,425	53,725	53,725
Total secured and unsecured loans	53,831	53,831	57,131	57,131
Secured loans repayable by 2037	53,725	53,725	57,025	57,025
Unsecured loans	106	106	106	106
Total secured and unsecured loans	53,831	53,831	57,131	57,131

Included in loans are the following:

	From	To	Interest rate	Amount £'000
Barclays Bank plc				
Fixed rate hedge	1 August 2011	1 August 2036	5.72%	28,261
Fixed rate hedge	1 August 2012	1 August 2035	4.81%	20,360
Variable rate	4 May 2020	31 July 2020	0.28%	5,104
Salix Finance				
Interest free	1 October 2015		0.00%	106
Total secured and unsecured loans				53,831

The secured Barclays loan is a single indebtedness though it is priced across three tranches as shown in the above table. This loan is secured on certain freehold property assets. It is payable in equal quarterly instalments through to the final instalment payable in August 2037. At 1 November 2021, and as required for all sterling commercial loans, the University's Barclays loan was transition from a LIBOR (London Interbank Offered Rate) based loan to a SONIA (Sterling Overnight Averaged Index) or Compounded Rate loan, the transition is neutral for the University (and the Bank).

At 31 July 2021 the aggregate fair value of the Barclays' hedge agreements was a liability of £17,528k (2020: liability of £21,673k). These fair values are included in the financial statements as fixed rate hedging instruments under 'Creditors - amounts falling due within one year' and 'Creditors - amounts falling due after more than one year'. The decrease in the liability has been recognised in equity through the Hedging Reserve with hedge accounting having been applied.

The Salix Finance Loan is unsecured. It is funding under the OfS Revolving Green Fund 4 (RGF4) programme. As such, it can be re-cycled to use on additional carbon saving capital initiatives. Northumbria University is currently recycling this funding and it does not anticipate repayment in the short term. The terms of the loan mean that it could be recalled at any time and therefore it is classified as falling due within one year. The University is not aware of any intention from OfS to recall the loan.

22. PROVISIONS

Consolidated and University	1.	2.	3.	Total pensions provisions
	Obligation to fund deficit on USS Pension	Pension enhancements on termination	Defined benefit obligations	
	£'000	£'000	£'000	£'000
At 1 August 2020	6,122	3,107	255,300	264,529
Utilised in year	(543)	(304)	(38,130)	(38,977)
Additions in year	64	43	-	107
At 31 July 2021	5,643	2,846	217,170	225,659

Consolidated and University	4.	5.	Total other provisions
	Leasehold dilapidation	Overseas tax uncertainties	
	£'000	£'000	£'000
At 1 August 2020	673	1,715	2,388
Utilised in year	-	(447)	(447)
Additions in year	200	54	254
At 31 July 2021	873	1,322	2,195

1. The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in note 27.

Consolidated and University

	Year Ended 31 July 2021	Year Ended 31 July 2020
Discount rate	0.89%	0.74%
Salary growth	2.50%	2.50%

2. In previous years, the University has granted enhanced pension payments to certain members of staff in both the LGPS and TPS. The difference between enhanced pension and the amount earned according to the scheme rules is charged back to the University by the schemes. The University therefore has a liability both to the TWPF and to the TPS for these payments.

3. The defined benefit relates to the University's participation in the TWPF which provides defined pension benefits to non-academic staff. The scheme is regulated under the requirements of the LGPS. Details are included in note 27.

4. This provision represents an estimate of the costs incurred to date for work that will be required to be carried out in order to restore a leasehold property to its original state on exiting the lease.

5. This amount is being provided for uncertain tax positions relating to a number of the University's activities overseas. It is expected to be utilised over the next 2 years.

23. CASH AND CASH EQUIVALENTS	As at 1 August 2020	Cash flows	As at 31 July 2021
	£'000	£'000	£'000
Consolidated			
Cash and cash equivalents	66,942	19,098	86,040
University			
Cash and cash equivalents	65,787	19,591	85,378

The consolidated group and university also held £14,000k (2020: £nil) in short-term cash deposits at the year end (note 18).

24. CAPITAL AND OTHER COMMITMENTS	Consolidated and University	
	As at 31 July 2021	As at 31 July 2020
	£'000	£'000
Capital commitments contracted for but not provided for	2,999	1,681

25. LEASE OBLIGATIONS						
	Land and buildings	Plant and other machinery	As at 31 July 2021 Total	Land and buildings	Plant and other machinery	As at 31 July 2020 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Future minimum lease payments due:						
Not later than one year	3,039	107	3,146	3,152	430	3,582
Later than one year, not later than five years	12,776	-	12,776	12,526	107	12,633
Later than five years	10,269	-	10,269	13,559	-	13,559
Total lease payments due	26,084	107	26,191	29,237	537	29,774

26. RELATED PARTIES

Members of the Board of Governors and University Executive are required to declare any outside interests. When an item arises in which a member has a pecuniary, business, family, or other personal interest, it must be declared, and the member concerned may not take part in the consideration of the matter nor vote on it. The financial effect of all transactions involving organisations in which a member of the Board of Governors and University Executive may have an interest has been considered.

In the normal course of business, the University transacts with private and public sector organisations, a certain number of which Governors and Executives of the University are directors, officers or partners. All such transactions are undertaken on an arm's length basis in accordance with normal agreements with customers and suppliers and in line with the University's Financial Regulations.

Where Governors and Executives or members of their respective close family do not have a controlling interest in either the University or the organisations in which they are directors, employees or partners, the transaction is not deemed as a related party transaction and disclosure is not required under FRS 102.

The following have been identified as related party transactions requiring disclosure under FRS 102. It is confirmed that these are conducted at arm's length and in accordance with the University's Financial Regulations.

Related Party	Year Ended 31 July	Sales £'000	Purchases £'000	Debtor £'000	Creditor £'000
BIM Academy (Enterprises) Limited ¹	2021	56	14	-	-
	2020	6	39	-	-
The Open University ²	2021	-	37	-	-
	2020	-	55	-	-
North East Chamber of Commerce ³	2021	-	3	-	-
	2020	1	3	1	-
Ryder Architecture Limited ⁴	2021	13	1	1	1
	2020	11	101	-	-
QAHE (NU) Limited ⁵	2021	2,162	8,767	8,990	-
	2020	-	8,026	5,847	-
University of Northumbria Students' Union ⁶	2021	1,201	2,793	-	1
	2020	1,231	2,799	-	-

1. BIM Academy (Enterprises) Limited is a joint venture to supply 3D modelling to the building industry. Its results are not consolidated within these accounts and therefore transactions have been disclosed here. The expenditure incurred relates to consultancy services received and income relates to tuition fees.

2. Dr Roberta Blackman-Woods is the Chair of the Board of Governors, her husband is the Vice Chancellor of The Open University. As such she is in a position to exert significant influence over both parties. The expenditure incurred represent partnership payments in relation to grant receipts.

3. Lucy Winskell OBE is a member of the University Executive and the Chair of the North East Chamber of Commerce. The purchases represent subscriptions and fees payable by the University relating to membership of the Chamber. The sales represent education services provided by the University.

4. Ryder Architecture Limited is a related party to the University as the joint venture partner for BIM Academy (Enterprises) Limited. The sales represent education services provided by the University and the expenditure represents architectural services provided to the University.

5. QAHE (NU) Limited is a related party to the University as the joint venture partner for Northumbria London Campus Limited. The sales and purchases represent recharges of services provided to and by Northumbria London Campus Limited.

6. University of Northumbria Student's Union is considered to be a related party by substance due to the close relationship between the two entities. The University provides financial support to the Student's Union in the form of a block grant and receives rental payments in return.

As detailed in the Remuneration Statement on page 31, the Vice-Chancellor and Chief Executive is a Non-Executive Director of the Board of the Student Loans Company (SLC). The University received £155,398k (2020: £143,892k) from the SLC and made purchases of £28k (2020: £15k) in the normal course of business.

The University's transactions with wholly owned subsidiaries have not been disclosed under FRS102.

27. PENSION SCHEMES

The four major pension schemes for the University's staff are the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS), the Tyne and Wear Pension Fund (TWPF) which is a Local Government Pension Scheme (LGPS), and the Universities and Colleges Retirement Savings Scheme (UCRSS).

The pension charge for the year before exceptional charges was as follows:

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
TPS	14,260	14,260	13,000	13,000
USS (including deficit movements)	2,970	2,970	2,287	2,287
LGPS	20,410	20,410	13,930	13,930
UCRSS	928	928	854	854
Others	29	-	33	-
	38,597	38,568	30,104	30,071

The exceptional pension (credit) / charges for the year were as follows:

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
USS	(543)	(543)	(2,562)	(2,562)
LGPS	-	-	-	-
	(543)	(543)	(2,562)	(2,562)

Details of the exceptional pension charges are provided within note 7.

The actuarial gain/(loss) in respect of pensions for the year was as follows:

	Consolidated and University	
	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
LGPS	55,310	(106,545)
Enhanced Pension Payments - LGPS and TPS	62	(188)
	55,372	(106,733)

The pension adjustments as detailed in the cash flow statement are derived as follows:

	Year Ended 31 July 2021		Year Ended 31 July 2020	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
LGPS charge	20,410	20,410	13,930	13,930
LGPS employer contributions	(6,760)	(6,760)	(7,915)	(7,915)
	13,650	13,650	6,015	6,015

The Teachers' Pension Scheme (TPS)

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including universities. Membership is automatic for teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1972) and Public Service Pensions Act (2013) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The University is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan

Valuation of the TPS

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2016. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19).

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £14,260k (2020: £13,000k).

Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme.

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 was underway at the balance sheet date and was completed post balance sheet as detailed below.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles found on the USS website.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI - 0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21 Years 21 +: CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on the analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018 valuation
Mortality base table	<u>Pre-retirement</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females <u>Post retirement</u> 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	2021	2020
Males		
Currently aged 65	24.6	24.4
Currently aged 45	26.1	26.3
Females		
Currently aged 65	26.6	25.9
Currently aged 45	27.9	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2021	2020
Discount rate	0.89%	0.74%
Pensionable salary growth rate	2.5%	2.5%

The pension costs paid to USS in the year amounted to £2,816k (2020: £2,461k).

Post balance sheet

The Universities Superannuation Scheme 2020 valuation has now been signed and filed with The Pensions Regulator with an effective date of 1 October 2021. The 2020 Valuation came into effect with a dual rate schedule of contributions:

- leg 1, which includes a small increase in contribution rates from the 2018 Valuation and a longer deficit recovery period as a result of the decision to proceed with benefit change by the Joint Negotiating Committee (JNC) subject to member consultation; and
- leg 2, which includes more significant increases in contribution rates from the 2018 Valuation and shorter deficit recovery period, which only becomes applicable if the JNC recommended deed on benefit changes has not been executed by 28 February 2022.

Leg 1 would result in an increase in the University's pension provision to £15,751k from £5,624k at the current year-end. For the 2020-21 financial year however, this is considered a non-adjusting event so is not reflected in the financial statements.

Local Government Pension Scheme (LGPS)

LGPSs are regulated by statute, with separate regulations for (a) England and Wales and (b) Scotland. The benefits of the LGPSs are determined nationally by regulation and meet the definition of a defined benefit scheme. The South Tyneside Metropolitan Borough Council is the administering authority for the Tyne and Wear Pension Fund (TWPF). The metropolitan councils in Tyne and Wear, and other bodies, for example the University, are employing bodies within the TWPF. In the event that the University closes, and there is no successor establishment, the Secretary of State becomes the compensating authority.

The University's contribution rate during the year was 18.8%, which has been the rate since the increase from 15.6% on 31 March 2020 as a result of the completion of the full actuarial valuation at 31 March 2019. However, the University is no longer required to make capital contributions in respect of the past service deficiency, and therefore the overall percentage contribution has decreased. Employer contributions including capital repayments of £nil (2020: £2,377k) and strain on fund payments were £6,760k (2020: £8,220k). Under FRS 102, the comparable service cost was £20,410k (2020: £13,930k), including the past service cost of £nil (2020: £nil).

The results below relate to the funded liabilities within the TWPF, which is part of the LGPS. The funded nature of the LGPS requires the University and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.

Valuation of the LGPS

The last full actuarial valuation was at 31 March 2019.

Expected employer contributions to the Fund for the accounting period to 31 July 2022 are estimated to be £6,822k. In addition, strain on fund contributions may be required to meet the costs of early retirements.

Principal actuarial assumptions	As at 31 July 2021	As at 31 July 2020
	%	%
Discount rate	1.7	1.4
CPI inflation	2.6	2.3
Pension increases	2.6	2.3
Pension accounts revaluation rate	2.6	2.3
Salary increases	4.1	3.8

Mortality assumptions

The mortality assumptions at the accounting date are based on the recent actual mortality experience of members within the fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below in years.

	As at 31 July 2021	As at 31 July 2020
Males		
Currently aged 65	21.9	21.8
Currently aged 45	23.6	23.5
Females		
Currently aged 65	25.1	25.0
Currently aged 45	26.9	26.8

Asset allocation	As at 31 July 2021	As at 31 July 2020
	%	%
Equities	56.3	53.5
Property	7.9	9.2
Government bonds	2.0	2.4
Corporate bonds	19.6	22.9
Cash	4.0	1.9
Other	10.2	10.1
Total	100.0	100.0

Reconciliation of funded status to balance sheet	As at 31 July 2021	As at 31 July 2020
	£'000	£'000
Fair value of fund assets	348,600	297,234
Present value of defined benefit obligation	(565,770)	(552,534)
Deficit in the scheme recorded in provisions (note 22)	(217,170)	(255,300)

The split in the liabilities at the last valuation between the various categories of members is as follows:

Active members	41%
Deferred pensioners	23%
Pensioners	36%

Amounts recognised in statement of comprehensive income and expenditure	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
Operating cost		
Current service cost	20,390	13,930
Past service cost	-	-
Curtailement cost	20	
	20,410	13,930
Financing cost		
Net interest cost (note 10)	3,530	2,970
Expense recognised in statement of comprehensive income	23,940	16,900
Allowance for administration expenses included in current service costs	160	130

Amounts recognised in other comprehensive (expense) / income	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
(Losses)/Gain on assets	47,180	(11,915)
Experience losses on liabilities	8,130	(94,630)
Total amount recognised in other comprehensive (expense) / income	55,310	(106,545)
Movement in deficit		
	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
Opening deficit	(255,300)	(139,770)
Current service cost	(20,390)	(13,930)
Past service cost	-	-
Curtailement cost	(20)	
Employer contributions	6,760	7,915
Net interest cost	(3,530)	(2,970)
Actuarial (losses) / gains	55,310	(106,545)
	(217,170)	(255,300)
Changes to the present value of the defined benefit obligation		
	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
Opening defined benefit obligation	552,530	442,314
Current service cost	20,390	13,930
Past service cost	-	-
Curtailement cost	20	
Interest expense on defined benefit obligation	7,690	9,640
Actuarial losses / (gains) on liabilities	(8,130)	94,630
Contributions by participants	2,480	2,480
Net benefits paid out	(9,210)	(10,460)
	565,770	552,534
Changes to the fair value of assets		
	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
Opening fair value of assets	297,230	302,544
Contributions by employer	6,760	7,915
Interest income on assets	4,160	6,670
Actuarial (losses)/ gains on assets	47,180	(11,915)
Contributions by participants	2,480	2,480
Net benefits paid out	(9,210)	(10,460)
	348,600	297,234
Actual return on assets		
	Year Ended 31 July 2021	Year Ended 31 July 2020
	£'000	£'000
Interest income on assets	4,160	6,670
Actuarial gain/(loss) on assets	47,180	(11,915)
	51,340	(5,245)

Risks associated with the fund in relation to accounting

Asset volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield this will create a deficit in the accounts. The fund holds a significant proportion of growth assets which while expected to outperform corporate bonds in the long term creates volatility and risk in the short term in relation to the accounting figures.

Changes in bond yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in assets as a result.

Inflation risk

The majority of pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

Life expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting employers

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of overall liabilities in the Fund.

Sensitivity analysis

The approximate impact on the present value of the defined benefit obligation at 31 July 2021 and on the projected service cost for the year ending 31 July 2022 of changing key assumptions by 0.1% is shown below. In each case, only the assumption chosen is altered with all other assumptions assumed to remain the same.

Discount rate assumption			
Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	553,320	565,770	578,780
% change in present value of total obligation	-2.2%		2.3%
Projected service cost (£'000)	20,460	21,220	22,010
Approximate % change in projected service cost	-3.6%		3.7%
Rate of general increase in salaries			
Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	567,470	565,770	564,070
% change in present value of total obligation	0.3%		-0.3%
Projected service cost (£'000)	21,220	21,220	21,220
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase in pensions in payment and deferred pensions assumptions and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	577,090	565,770	555,020
% change in present value of total obligation	2.0%		-1.9%
Projected service cost (£'000)	22,010	21,220	20,460
Approximate % change in projected service cost	3.7%		-3.6%
Post retirement mortality assumption			
Adjustment to mortality age rating assumption	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£'000)	587,270	565,770	544,840
% change in present value of total obligation	3.8%		-3.7%
Projected service cost (£'000)	22,110	21,220	20,350
Approximate % change in projected service cost	4.2%		-4.1%

Universities and Colleges Retirement Savings Scheme (UCRSS)

The University contributes to a defined contribution scheme for certain support staff and for staff who have opted out of a defined benefit arrangement. The scheme has a non-contributory baseline employer contribution of 7% with matched funding available. A total of £927k (2020: £854k) was recognised as an expense in income and expenditure in respect of the scheme.

28. FINANCIAL INSTRUMENTS***Risk management***

The University carefully monitors and manages the credit, liquidity and interest risk associated with the group's activities. These financial risks are managed within parameters specified by relevant risk and treasury management policies.

The University's treasury management and ethical investment policy governs all treasury management activities and sets out relevant policy objectives and control measures. It is reviewed and approved by the University Employment and Finance Committee. The treasury management and ethical investment policy adopts the key recommendations of the Code of Practice on Treasury Management in Public Services, as issued by Chartered Institute of Public Finance and Accountancy (CIPFA).

The group's principal financial instruments are cash, short-term deposits, and financial derivatives in respect of the University's interest-bearing loans and borrowings. The core objective of these financial instruments is to meet financing needs of the University's operations and to mitigate against volatility and risk. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The University's financial regulations and treasury management and ethical investment policy lay out the framework for credit risk management. Credit risk is monitored on an on-going basis and arises from bank balances, investments, student debtors and other commercial and government organisations as customers.

At 31 July 2021, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. Student, government and commercial debtors are reviewed on an on-going basis and bad debt provisions are made if recovery of credit becomes uncertain. A debtor deemed irrecoverable is written off. The concentration of risk is limited due to the student base being large and diverse. The University's investment decisions are based on strict minimum credit worthiness criteria to ensure the safety of cash and short-term deposit investments. Credit worthiness of the University's banks and lenders is regularly monitored.

Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds.

At 31 July 2021, the group is holding cash deposits, none of which have a maturity period greater than 12 months.

Foreign currency risk

Foreign currency risk refers to the risk that the unfavourable movements in foreign exchange rate may cause financial loss to the group. The group's principal foreign currency exposures generally arise from research related receipts and payments denominated in Euros and Dollars. The University has both a Euro and a Dollar current account to help with the management and mitigation of foreign currency risk. All other receipts in foreign currencies are converted into pound sterling unless required for immediate foreign currency payments. Northumbria University Amsterdam B.V. is based in the Netherlands and has income and expenditure primarily in Euros. Overall foreign currency exposure is immaterial, being an insignificant portion of total Income and Expenditure. At 31 July 2021, the sterling equivalent of all euro bank balances was £2,880k (2020: £2,841k). The sterling equivalent of all dollar balances at this date was £129k (2020: £880k).

Interest rate risk

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of Balance Sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investment risk).

The group's main financing arrangements relate to the secured and unsecured bank loans (see note 21) with a total amount outstanding of £53,831k (2020: £57,131k). Interest is charged at different rates, including fixed rates as a result of interest rate hedging instruments, and an unhedged element at variable rates. In an interest rate swap, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. At 31 July 2021, balance sheet values of deposits and cash at bank and in hand are not materially exposed to changes in interest rates. The nature of the hedging instruments associated with the group's secured bank loans means that that group is not significantly exposed to further variability arising from interest rate risk, albeit fluctuations in the fair value of derivative financial instruments are relevant.

Derivative financial instruments - fair values

The fair value of the University's interest rate swaps is based on Mark to Market valuations, underpinned by reference to discounted future cash flows.

	Financial liabilities					
	As at 31 July 2021			As at 31 July 2020		
	Current	Non-current	Total	Current	Non-current	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps						
Designated as cash flow hedges	-	(17,528)	(17,528)	-	(21,673)	(21,673)

Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	As at 31 July 2021					
	Carrying amount	Expected cash flows	1 year or less	1 to 2 years	2 to 5 years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps						
Liabilities	(17,528)	(17,528)	-	-	-	(17,528)

	As at 31 July 2020					
	Carrying amount	Expected cash flows	1 year or less	1 to 2 years	2 to 5 years	5 Years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps						
Liabilities	(21,673)	(21,673)	-	-	-	(21,673)

The expected cash flows arising from the interest rate swap have been reclassified to 5 years and over. The prior year numbers have also been reclassified for comparability.

The group uses hedge accounting in line with FRS 102 section 12 in respect of the interest rate swap on the secured bank loans.

This interest rate swap is to fix interest rates on the University's secured bank loans, by tranche, as outlined in note 21. The risk being hedged is the University's exposure to variable interest rates. The fair value of the hedging instrument at the year-end is a liability of £17,528k (2020: liability of £21,673k).

The amount of the change in fair value of the hedging instrument recognised in other comprehensive income for the period is a decrease of £4,145k in the liability (2020: £1,345k increase in the liability).

29. ALTERNATIVE PERFORMANCE MEASURES

A reconciliation of the Consolidated Alternative Performance Measures (APMs) used within the operating and financial review on page 14 of these financial statements is provided below. These are the key non-GAAP measures used by the University to monitor and evaluate performance.

	Note	Consolidated	
		Year Ended 31 July 2021	Year Ended 31 July 2020
		£'000	£'000
Adjusted EBITDA			
Surplus before other gains (operating surplus)		2,502	5,879
Interest payable	10	6,292	6,033
Investment income	6	120	(294)
Depreciation of tangible fixed assets	16	16,970	17,475
Amortisation of intangible assets	15	3,456	3,372
Capital grants income	2	(3,218)	(2,551)
Pension adjustments	27	13,650	6,015
USS pension provision movements	22	(543)	(2,652)
		39,229	33,277

	Note	Consolidated	
		Year Ended 31 July 2021	Year Ended 31 July 2020
		£'000	£'000
Adjusted net operating cashflows			
Net operating cashflows		42,887	31,516
Capital grants receipts		3,218	2,438
		46,105	33,954

	Note	Consolidated	
		Year Ended 31 July 2021	Year Ended 31 July 2020
		£'000	£'000
Cash and investments			
Cash and cash equivalents	23	86,040	66,942
Current Investments	18	14,000	-
		100,040	66,942

30. U.S DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

In satisfaction of its obligations to facilitate students' access to US federal financial aid, the university is required, by the US Department of Education, to present the following Supplemental Schedule in a prescribed format.

The amounts presented within the schedules have been:

- prepared under the historical cost convention;
- prepared using United Kingdom generally accepted accounting practice, in accordance with Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice: Accounting for Further and Higher Education (2019 edition); and
- presented in pounds sterling.

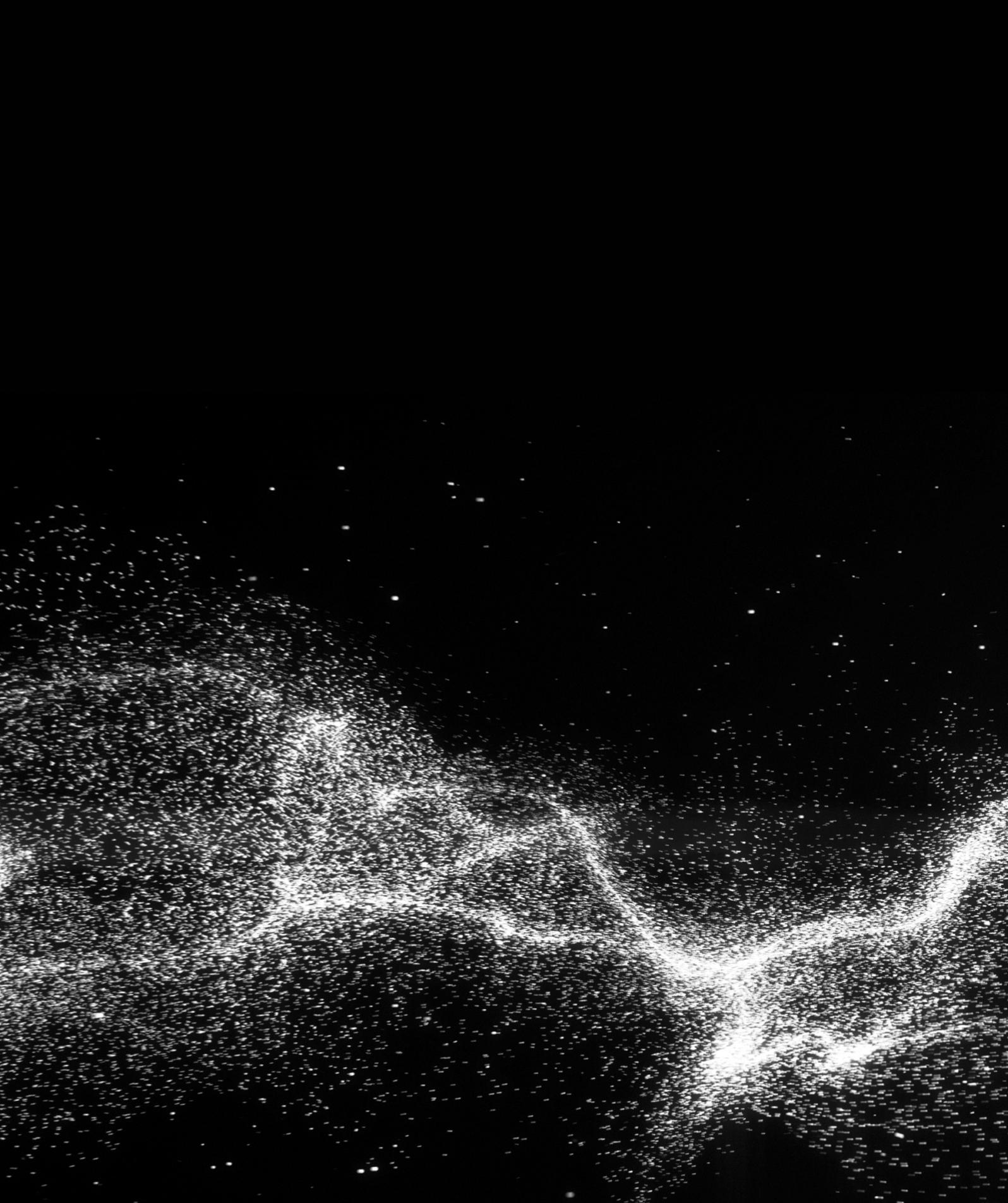
The schedules set out how each amount disclosed has been extracted from the financial statements. As set out above, the accounting policies used in determining the amounts disclosed are not intended to and do not comply with the requirements of accounting principles generally accepted in the United States of America.

Primary Reserve Ratio

Expendable Net Assets		Note	Consolidated	
			Year Ended 31 July 2021	Year Ended 31 July 2020
			£'000	£'000
Balance Sheet - Net assets	Net assets without donor restrictions		81,986	19,953
Balance Sheet - Net assets	Net assets with donor restrictions		-	-
Notes to the financial statements - Trade and other receivables	Secured and Unsecured related party receivable	17	-	-
Notes to the financial statements - Trade and other receivables	Unsecured related party receivable	17	-	-
Balance Sheet - Tangible fixed assets	Property, plant and equipment, net (includes Construction in progress)	16	310,537	322,361
Notes to the financial statements - Tangible fixed assets, net book value minus additions in year.	Property, plant and equipment - pre-implementation	16	305,391	313,542
	Property, plant and equipment - post-implementation with outstanding debt for original purchase		-	-
Notes to the financial statements - Tangible fixed assets, additions (minus assets under construction)	Property, plant and equipment - post-implementation without outstanding debt for original purchase	16	3,875	5,981
Notes to the financial statements - Tangible fixed assets, assets under construction additions	Construction in progress	16	1,271	2,838
	Lease right-of-use asset, net			
	Lease right-of-use asset pre-implementation			
	Lease right-of-use asset post-implementation			
	Intangible assets - goodwill			
Balance Sheet - Intangible assets	Intangible assets	15	4,037	5,990
Balance Sheet - Pension provisions	Post-employment and pension liabilities	22	225,659	264,529
Notes to the financial statements - Creditors - amounts falling due after one year, total secured and unsecured loans	Long-term debt - for long term purposes	21	53,831	57,131

Primary Reserve Ratio		Consolidated		Expendable Net Assets cont.	
				Note	Year Ended 31 July 2021
			£'000	£'000	
Notes to the financial statements - Creditors - amounts falling due after one year, total secured and unsecured loans	Long-term debt - for long term purposes pre-implementation	21	53,831	57,131	
Notes to the financial statements - Creditors - amounts falling due after one year, new loans in year	Long-term debt - for long term purposes post-implementation	21	-	-	
Notes to the financial statements - Creditors - amounts falling due after one year, new loans in year	Line of Credit for Construction in process	21	-	-	
	Lease right-of-use asset liability		-	-	
	Pre-implementation right-of-use leases		-	-	
	Post-implementation right-of-use leases		-	-	
	Annuities with donor restrictions		-	-	
	Term endowments with donor restrictions		-	-	
	Life income funds with donor restrictions		-	-	
	Net assets with donor restrictions: restricted in perpetuity		-	-	
Statement of comprehensive income and expenditure - Total expenditure	Total expenses without donor restrictions - taken directly from Statement of Activities		301,632	271,670	
Statement of comprehensive income and expenditure - Investment income, Actuarial gain in respect of pensions, change in fair value of hedging financial instruments	Non-Operating and Net Investment (loss)		59,637	(106,733)	
Statement of comprehensive income and expenditure - Investment income	Net investment gains/ (losses)	6	120	294	
	Pension-related changes other than net periodic costs		-	-	

Equity Ratio		Consolidated		
		Modified Net Assets	Note	Year Ended 31 July 2021 £'000
Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		81,986	19,953
Statement of Financial Position - total Net assets with donor restrictions	Net assets with donor restrictions		-	-
	Intangible assets - goodwill		-	-
Statement of Financial Position - Related party receivable and Related party note disclosure	Secured and Unsecured related party receivable	17	-	-
Modified Assets				
Balance Sheet - Total assets	Total Assets		461,836	426,331
	Lease right-of-use asset pre-implementation		-	-
	Pre-implementation right-of-use leases		-	-
	Intangible assets - goodwill		-	-
Notes to the financial statements -Trade and other receivables	Secured and Unsecured related party receivable	17	-	-
Notes to the financial statements -Trade and other receivables	Unsecured related party receivable	17	-	-
Net Income Ratio				
Statement of comprehensive income and expenditure - Total comprehensive income for the year	Change in Net Assets Without Donor Restrictions		61,929	(102,593)
Statement of comprehensive income and expenditure - Total income	Total Revenue and Gains		304,134	277,178



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